Manawatu survey

No future shock, right in middle of 'growth corridor'

From Page 1

10-year "Think Big" project programme that will see hundreds of millions of dollars spent in Taranaki. Wellington, with its container port, national and international air links, Cook Strait ferries and large population provides the other strong end of the corridor.

Palmerston North, says Elwood, is strategically located in the middle of this corridor to act as a pivotal centre.

The city is a major distribution centre — in fact, a key part of the national rail system. It has a well-developed industrial infrastructure which would expand through participation in the petrochemicals projects.

As well, a growing trend towards decentralisation (witness the shift of motor vehicle registrations to the city) and the expanded presence of finance and insurance representation have strengthened the commercial servicing sector of the city.

Finally, the skills of Massey University round out the "Strategic Palmerston North" concept.

Says Elwood: "It is very hard to justify a duplication of these sorts of facilities in Taranaki just to cope with the boom years. What happens after the boom construction years?

"What is needed is a more logical approach to use what already exists."

The Elwood theory foresees four main urban centres in the development corridor: New Plymouth, Wanganui, Palmerston North and Wellington. Between these would be strengthened satellite communities like Levin, Paraparaumu, Patea and Feilding.

"I'm not saying Palmerston North should be competing for everything, rather this is a broad-brushed regional approach that will allow the development corridor to act as as counter-balance to greater Auckland," insists Elwood.

A key to acceptance of this concept will be the breaking down of traditional parochial barriers of the sort that have stalled inter-provincial developments in the past.

The concept is imaginative and carries with it the same sort of reasoned development pattern that has characterised the region's growth in the past.

Whether the locals and, perhaps more importantly, the other centres of the so-called development corridor can be persuaded remains to be seen.

For the moment, these other centres have their own development strategies and problems to control before they are likely to cast their eyes wider afield than existing provincial boundaries.

Even the Manawatu has its own development programme to keep it busy, although the programme is more in a consolidation phase than in a developmental one.

EMPLOYMENT FORECAST FOR THE PALMERSTON NORTH URBAN AREA

Sector	1986	1996
Primary	40	40
Secondary	6,550	7,834
Tertiary	11,863	13,480
BASIC	18,453	21,714
NON-BASIC	11,099	13,048
TOTAL	29,539	34,760

Source: Le Heron (1977). Page 37.

With a balanced economic infrastructure already in place, the local planners look more for orderly expansion with some gentle diversification.

The major urban utilities are in place — water, sewage treatment, gas, electricity. The city itself has some $25 million worth of roads.

Civic amenities now include the new — and controversial — civic administration centre with an attached conference centre. Earlier this year, a new Manawatu sports stadium was opened by Prince Charles.

Educational facilities now include 22 primary, three intermediate and six secondary schools as well as a teachers training college, a technical institute and Massey University.

Says Elwood: "We have no backlog of major works. We have a range of attractions that are the envy of other New Zealand cities. It is no longer possible for people to say they are bored living in Palmerston North as they did in the 1960s."

Economically, the future looks just as bright.

The city's role as a distribution centre can be expected to grow in significance. Elwood believes a new venture will be the development of inland freight terminals as land for similar expansion in Wellington becomes more expensive to reclaim.

Additionally, the electrification of the main trunk rail line will give the distribution industry new impetus.

And if the Elwood development corridor becomes a reality, the city's strategic siting will stimulate further business activity, with increased inter-provincial trade along the lower west coast of the North Island.

One study into future employment patterns (Le Heron: *Manawatu Urban Growth Strategy Study*) suggests that growth in the Manawatu region is closely related to national growth, although others believe it is ahead of the average.

The study argues that the key to the growth of the city is the success of those outside the region. It identifies three major influencing groups (see table):

- Government-financed activities such as the tertiary education institutions, Department of Scientific and Industrial Research, Dairy Research Institute;
- Primary industry;
- Manufacturing industries.

According to the study, growth cannot be expected to be as high as it has been in the past for the first group. Certainly, most major development at Massey, for example, has now been completed.

There is unlikely to be significant growth in employment from primary industry — although increased efficiency and a trend towards capital-intensive, technology-based farming like horticulture and vegetables will undoubtedly increase the value of production.

The Ministry of Agriculture and Fisheries believes the greatest potential for traditional farming production/productivity lies in what it classifies as Class 4, 6 and 7 country — rolling foothills.

About half the Manawatu is made up of this type of country, which MAF officials say is well suited to increased sheep production by the use of new farm management techniques and controlled grazing systems.

While industry generally can expect to consolidate its existing position within the regional and city economies, two particular industries are considered to have the greatest potential: food processing and electronics.

The processing industry is already strongly established throughout the Manawatu, but new patterns of food production and new market demands — both national and international — will encourage greater diversification within the industry.

Electronics is seen as the other key future growth industry. Until just a year or two ago, out-of-order electronic equipment needed to be sent to Wellington for servicing.

Now, computer services have mushroomed in the city, aided by the nearby presence of Massey University and the growth in commercial computer-based activities like banks, insurance companies and government departments.

Food processing and electronics — with their high added value — may well be the key to increasing export growth, too.

At the moment, internal transport costs are crippling for exporters who do not have the advantage of such products.

Another superficially unlikely new industry is tourism. Locals speak confidently about the city's new role as a convention centre. They see considerable scope for new accommodation to meet the demands of the convention centre's customers.

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Yes, Minister — this is your post-election economic update

TREASURY doesn't run the country by manipulating ministers — especially Finance Minister Rob Muldoon — the way it's done in TV's Yes Minister.

That's the assurance from the man who for eight years was the country's top civil servant and economic adviser to successive governments.

Henry Lang, Treasury Secretary up to 1976, worked under Muldoon as Finance Minister twice, as well as serving under Labour ministers Bill Rowling and Bob Tizard.

And while Lang doesn't accept the inference drawn from Muldoon's recent reminiscence about their relationship that no advice politically unpalatable need be tendered, he still has his own views for the economic situation of 1981-82 that Muldoon might not necessarily accept and pass on to the public on the eve of an election.

Lang, since 1977 visiting professor in economics at Victoria University of Wellington, has maintained his silence in best public service traditions since his retirement. Up to now he has resisted any temptation to proffer unofficial "advice" in public to his former political master.

But Muldoon's widely publicised comments and NBR's editorial conclusions have prompted Lang to put his views — a restrained resume of the Treasury advice he would, were he still heading the department, present to any incoming Minister of Finance after November 28.

In this issue of NBR Lang spells out his assessment of the current economic situation and directions in which the economy should be headed to tackle the strains of the 1980s.

In a phrase, "indicative planning" — palatable or otherwise as it may be to any of the political parties now treading the hustings.

Henry Lang's views — Pages 12 and 13.

Air NZ, down $100m, needs Govt handout

Auckland Bureau

AIR New Zealand, whose losses are running at some $100 million for this financial year, is likely to need a Government-funded capital infusion within a few months.

The sale of some of the airline's DC-10s or Friendship aircraft — which have been on the market for some time — would give a major boost to the company's finance.

But even if these planes were sold, it is likely the Government would have to inject more capital into Air New Zealand to improve the airline's unsatisfactory debt-equity ratio.

Air New Zealand public relations man Craig Saxton said no formal approaches have been made to Government for such financial aid yet. But the losses continue to grow week by week.

Last month the airline told its staff that this year's loss would be $69 million.

Last week, management conceded that losses could be around $90 million.

Other sources suggest the loss is more likely to exceed $100 million by March 31.

Like many airlines round the world, Air New Zealand has been caught between slumping passenger revenue and a depressed second-hand aircraft market at a time when it is undergoing a major re-equipment programme.

Two of the airline's six DC-10s are sitting idle on blocks at Mangere; four are in service.

Air New Zealand also has five Friendships for disposal, three of them on the ground in Christchurch.

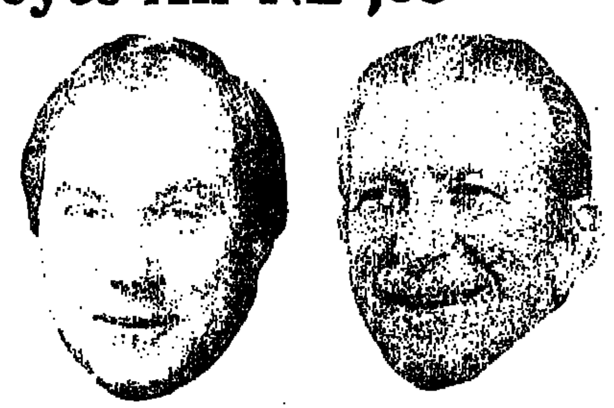
The airline is negotiating the sale of the Friendships through an Australian broker.

Unless significant sales of these aircraft are made, the airline will have an acute cash-flow problem early next year.

Air New Zealand has been saying for some time that sales

Continued page 2

Travel 'whizz kid' eyes Air NZ job



Tony Young . . . on short list. John Wisdom — in running.

by Gordon McLauchlan

FORMER Tourist Hotel Corporation general manager Tony Young is understood to be on the short list for the post of chief executive at Air New Zealand.

Observers rank him as a powerful contender, especially if the directors plump for someone outside the airline. He is young (fortyish), has headed a government corporation and is widely experienced in the travel business.

A tough administrator, Young became general manager while still in his 30s. His abilities are well known to Air New Zealand chairman Bill Mace, a member of the THC board when Young was manager.

Two years ago, Young moved to Sydney to manage Southern Pacific Properties Ltd, which owns the huge Travelodge hotel chain.

He quickly established a reputation there for his tough trimming of costs and staff.

It is understood that final interviews will take place about the end of this month.

Acting chief executive John Wisdom is known to have widely canvassed his senior management team to apply for the job and is believed to be another serious candidate for the post.

It is understood that all in the airline's top group of managers have applied for the job except former National Airways Corporation man Mat Ramsden.

DC-10 dilemma now — 747s next

THE dilemma in which Air New Zealand finds itself is that its trading losses are currently higher than those of almost any other airline in the world in relation to its size, and it has pronounced overcapacity with two DC-10s idle on blocks — and yet it faces the prospect of having to fork out $80 million for each of two 747s it has on the Boeing assembly line for delivery next year.

Even if the airline can sell a couple of its DC-10s on a glutted market, it faces massive overcapacity when it takes delivery of the 747s.

Because of the flat state of the market even for new 747s, the airline would have to pay up virtually the full price at this stage to cancel the orders — unless it can sell them to other airlines in need of the aircraft quickly. Ideally, this might solve some of the Air New Zealand problems because it could absorb any foreseeable increase in traffic by using its existing DC-10s.

Trading prospects for international airlines over the next couple of years are not bright so the excess capacity is likely to become an increasing embarrassment.

Another problem may be the financing of the two new 747s. The first three were acquired through what is termed "leverage leasing", a deal negotiated through the major Australian trading banks.

But since this deal was negotiated, the Australian Government has been investigating leverage leasing because banks have been using it to write off taxes on a huge scale.

Air NZ needs Govt aid

From Page 1

of the used aircraft are imminent, and *NBR* understands a deal for one of the DC-10s may be clinched soon.

But even if all the aircraft up for disposal are sold on an international market which is in a severe slump, it is unlikely the overall sale price would match the prospective losses for the year.

The going rate for a DC-10 is not much more than $20 million.

Meanwhile, Air New Zealand faces a $160 million capital hurdle next year — the delivery of two more 747s from Boeing, one in June and the other in September.

Some observers have suggested that with the DC-10s already on blocks, the airline should cancel the 747s and make do with the capacity available from the DC-10s which are costing about $2 million each a year to keep on the ground.

But the latest information from the United States is that the market for 747s is so poor it would cost Air New Zealand almost as much to cancel the order as to take delivery.

The Parliament's Public Expenditure Committee and the Auditor-General are looking into the state of Air New Zealand's finance, its losses, debt-equity ratio and its questionable air fare discounting activities.

Parliamentary privilege prevents anyone from commenting on this committee's findings, but committee member John Kirk made a public statement some weeks ago that Air New Zealand's survival was at stake because of losses of more than $100 million projected for this year.

Referring to Air New Zealand House as "Bullshit Castle", Kirk told a public meeting Labour would make Air New Zealand a public corporation accountable to Parliament.

"I am pretty sure that what has been done by some people in Air New Zealand would or should have led to criminal prosecutions," said Kirk.

"As a member of the committee, I cannot say more, but I will say that no matter what government is in power someone will be called to account."

NBR tried to arrange an interview with Air New Zealand's acting chief executive John Wisdom last week, but was told that because things were "too sensitive at this stage" he was seeing no one.

Saxton said our questions were "simple" so he could answer all of them.

During the ensuing interview, Saxton popped in and out of executive offices, playing the middle man between *NBR* and other management people.

He said the airline was trying to solve its financial problems by staff reduction and wage restraints — a solution that has been rejected by staff unions.

Saxton said: "We've shed more than 600 staff in the last 18 months by attrition and early retirement. The staff level is now 8450. At the time of the merger it was 8700. Eighteen months ago it was 9050.

"We want to cut the staff to 8000 by the end of the financial year, March 31."

He said 18 months ago the airline figured that every 100 staff cut would save $1 million. "This figure might now be higher. By cutting 600 staff we might have saved $10 million," he said.

While the airline is close-lipped about its position, the staff rumour factory is cranking out information, some spurious, but some at least partially confirmed by Saxton.

One claim that until earlier this year, the company kept a condominium in Honolulu for board members and senior executive staff was acknowledged. But Saxton said he did not know what it cost and could not confirm or deny the claim that it was $80,000 a year.

The rumour that former chief executive Morrie Davis was still on the payroll as a consultant was not correct, Saxton said. This rumour might have arisen from Air New Zealand's commitment to support the appeal against the findings of the Mount Erebus commission of inquiry which the airline felt unfairly attacked Davis's reputation. Davis was given access to an office during that period, Saxton said.

It was true that Davis bought his Jaguar car from the airline but he bought it at market value, Saxton said.

It was true that Davis still represented Air New Zealand on the board of Partington Properties Ltd, the company building the Sheraton Hotel in Auckland. The other Air New Zealand representative on this board is retired former senior executive Charles Beresford.

Partington Properties, formerly Devon Developments, is a $15 million capital company combining the equity interests of Air New Zealand, the Development Finance Corporation and the Sheraton Corporation, to build the Sheraton Hotel in Auckland.

Saxton said that when Air New Zealand staff represented the airline on boards of other companies, they were not paid extra for doing so.

When *NBR* pointed out that Davis was no longer a paid staff member, Saxton said he did not know who was paying the board fees.

It has also been persistently rumoured that an employee was involved in defalcations amounting to many thousands of dollars and was asked to resign but no prosecution was ever laid.

Saxton confirmed that a staff member was asked to resign under such circumstances but he did not know the amount of property involved. An investigation by Air New Zealand security staff concluded that no satisfactory proof could be produced of a legal offence, he said.

"ANOTHER day older, and deeper in debt" or that's how the song goes, but for Air New Zealand it's a familiar tune.

The national airline has increased its indebtedness by another $21 million — to finance the purchase of four new Fokker Friendship F27 aircraft.

But the finance has been arranged using the increasingly more popular and financially less taxing, leveraging lease scheme.

The $21 million leverage lease has been organised by the Bank of New Zealand with the ANZ Bank and the Bank of New South Wales as equity partners.

The BNZ arranged and provided the debt content of the lease in conjunction with the International Westminster Bank Ltd and Midland Bank Ltd. Though it has been involved in leveraged leases in the past, this is the first time BNZ has negotiated such an agreement for Air New Zealand, and so a new subsidiary, "BNZ Aircraft Leasing Ltd", has been established.

As well as providing debt and equity, BNZ is also acting as manager of the lease and agent to the debt parties.

FCL presses on with fishing master plan

by Klaus Sorensen

DESPITE criticism, Fletcher Challenge Ltd is pressing on with its plans to play a major role in the "New Zealandisation" of the fishing industry.

And the giant believes its aspirations have been misinterpreted by such critics as the Commercial Fishermen's Federation.

FCL's Ian Donald, who is chief executive of the rural and trading division which encompasses Fletcher Fishing Ltd, said last week he believed the Government-inspired New Zealandisation could take place over the next two or three years.

Donald has no doubt the industry is headed this way, "It's stated government policy to have a New Zealand-owned and operated fishing operation, with the Government's second preference being joint ventures and the third being foreign licensing.

He says as this progression takes place there will be less opportunity for joint ventures and a greater demand for venture capital.

He admits it is still unresolved whether western crews can be economically viable up against the Eastern Europeans who "seem prepared to trawl at a discount rate".

However, Donald claims the operation of the big Otago Challenge trawler has dispelled a few myths about New Zealand crews.

"The Otago Challenge has proved that there are New Zealanders who are prepared to stay at sea until they get a full hold — which can be up to two weeks — contrary to the myth that the local crews only want to be away from home for 24 hours."

Donald believes his company's comments on the future of the fishing industry — where it claims the industry should be in the hands of only three-or-so world scale units — have been "misconstrued".

Fletcher is looking at "deep and distant" trawling — outside New Zealand waters.

"The critics thought that applied to coastal rather than to the "deep and distant" territories. The concern by the commercial fisherman was that this (the Fletcher policy) would encroach on them in coastal waters, but this is just not the case." Asked whether New Zealand crews might not demand higher wages than the competition, Donald said he thought local wages were "about on par with the United Kingdom and continental people."

Similarly Fletcher would not anticipate too much trouble with the Seamen's Union provided the crews are receiving a share of the profits as "share fishermen" — such as on the Otago Challenge.

It has also been suggested that a winding down of joint ventures could create a conflict on trade relationships.

But Donald says Foreign Affairs has said the reduction of joint ventures was "predictable — and they don't see any political or trade difficulties.

"The Russians can see the writing on the wall — with New Zealandisation — although perhaps they don't think it will happen as quickly as it might."

Donald also defended the company against charges of flooding the Australian market.

"Australia is only 35 to 40 per cent self-sufficient in fish and to say we were flooding the market is overstating the case — if it wasn't us (with orange roughy) it would be the South Africans with hake."

Cap could come off beer prices, along with controls

by Allan Parker

BEER and spirits drinkers may soon be shouting about another round — of price increases.

The Commerce Commission last week reported to Government on an investigation into price controls that remain on some sectors of the industry.

Specifically, the commission was asked by Trade and Industry Minister Lance Adams-Schneider to determine "whether or not price control should be retained" on those sectors.

The commission report was scheduled to be delivered to Adams-Schneider at the end of last month but was delayed until late last week.

Its recommendations are still secret and will remain so until both the Minister and his cabinet colleagues have decided what action to take. Traditionally, such commission reports and recommendations are made public, although some time after delivery.

Currently, price control remains on intoxicating liquor sold in public bars, all draught beer in flagons or 735ml and over bottles (the old quart bottle) for takeaway consumption.

Additionally, beer and spirit prices charged by manufacturers and packers are controlled.

Alcohol sold in pubs in other circumstances such as private bars and meals is not controlled. Nor is there control on prices in restaurants and clubs.

A clear effect of removal of the existing controls would be price increases in the sectors now controlled.

A submission to the Commerce Commission by the Secretary of Trade and Industry, Harry Clark, commented: "There is no doubt that there would be increases in the price of beer, probably to a significant extent, if beer were removed from price control."

One major effect would be a move to bring public bar beer and spirit prices "closer to private bar prices", which are not controlled.

In turn, that would probably mean a rise in private bar prices: "The trade has long maintained to the secretary that there is a limit to which they can move private bar prices above those in public bars."

Equally, prices would rise if controls were removed from the manufacturing and packing sectors of the industry.

According to the Trade and Industry submission prices would move above what the secretary would have approved.

Court decision angers kiwifruit growers

NEW Zealand Kiwifruit Authority chairman Roland Earp has launched a strongly worded attack on the Government after a successful appeal against an authority decision. He says the Government is guilty of political expediency in election year, and that the kiwifruit industry is "being used by the Government."

One of the nine extant kiwifruit export licences is held by Turners (Tauranga) Ltd, a subsidiary of Auckland-based Turners and Growers Ltd which also holds an export licence. The authority ruled that this effectively gave Turners and Growers two licences and that the Turners (Tauranga) Ltd licence should be revoked.

The company appealed under the provisions of the legislation governing the authority and won the right to continue to hold the licence.

Earp says in an industry newsletter that the industry is consequently finding it "increasingly difficult to carry out its licensing function because the regulations are inadequate."

It is understood the authority tried to have the original regulations amended to reduce the opportunities for appeal and strengthen the authority's hand, but the Government refused.

Earp is also angry about the effective transfer of the ownership of a licence following the change of hands of a licence-holding company, Auckland Export Ltd. Mason and Porter held 80 per cent of the shares of Auckland Export but sold them to Wrightson NMA Ltd. Auckland Export Ltd continues to hold the licence.

It is understood that at least two other companies holding licences are considering selling them.

Although there is a maverick group of growers that wants the growers to have the right to export directly, the great majority of growers are in favour of specialised exporting companies being licensed to sell overseas.

Legislation was accordingly passed in 1978 and nine licences awarded by the authority. There has been no increase in the number since then.

Earp says the Turners (Tauranga) and Auckland Export Ltd cases and other possible impending sales of licences constitute "backdoor methods of gaining entry to our industry."

The industry newsletter says "as a result, licensing has now become a burdensome performance, diverting attention from more important issues. It is involving continual reference to our legal advisers and costing much in legal expenses that should be going into promotion and market development."

He argues that the Government's refusal to amend the regulations governing the appeals against the authority's rulings was for purely political reasons. "There are important people in Wellington busy working out the direction they think the kiwifruit industry should take.

"There are exporters, licensed and unlicensed, having plenty to say. And there are politicians without any in-depth knowledge of the industry, making decisions based on political philosophies rather than the needs of the kiwifruit industry . . .

Deflation for Socred in poll

by Colin James

THE pattern has broken for Social Credit. That news from the October 3 Television New Zealand-Heylen Poll.

Until September Social Credit had followed closely its pattern of 1978, but 10 per cent higher.

However, in the end-September poll three years ago, Social Credit went up sharply, to be 3 per cent above its final achievement of 16 per cent in the election.

In this year's comparable early October poll, Social Credit dropped back — from 25.0 per cent to 22.1 per cent. No longer can it be said to be on target for its hoped-for 26 per cent.

Six weeks remain till the election, and much can still happen.

But there is supporting evidence for the Heylen fall-back in Socred support in a survey done in Bay of Islands, reported on Page 30, giving a National lead there.

Bad news in the October 3 poll, too, for Labour. The gap between National and Labour continued to widen — bringing it, at 6.5 per cent, closer to 1978 dimensions at the corresponding time.

Does it mean another three years of National? Full analysis next week in *Election Watch*.

Week that was

THE latest consumer price index rise brought the rate of inflation to 15.4 per cent for the year ended September 31. Prime Minister Rob Muldoon said the figure was an "aberration", and would come down again before the end of the year.

AIR New Zealand will axe 13 trans-Tasman flights over the next two months. Its clerical staff are considering whether to accept the proposed wage freeze and reduced holidays and the airline announced improved productivity of 20 per cent since the merger with NAC.

THE Transport Amendment Bill was referred back for further parliamentary committee consideration. The bill's provisions tightening the law on long-distance hauls have angered truckers (see Page 28).

FOL secretary Ken Douglas, speaking at a Nelson seminar, *Industrial relations in the 1980s, Challenge or Disaster*, said the Rixen dispute was challenging the whole basis "of our law relationships." Minister of Labour Jim Bolger said he wouldn't ignore the remark if the FOL did not dissociate itself from it.

PARTIES to the freight-forwarders award were still poles apart while brewery drivers broke the 10 per cent mark, settling at 10.8.

Week to be

TUESDAY: Holeproof Industries Ltd AGM, Auckland

Sawmillers' Federation conference, Invercargill, to Thursday

WEDNESDAY: Scott Group Ltd AGM, Wellington

Arthur Ellis Holdings Ltd AGM, Dunedin

Mount Cook Group AGM, Christchurch

Hawkes Bay Agricultural & Pastoral Show, Hastings, to Friday

Japan/NZ Businessmen's conference, Auckland, to Friday

FRIDAY: Hallenstein Bros Ltd AGM, Dunedin

Underwriters find way round tax tussle ?

by Warren Berryman

SEVERAL of the New Zealand Oil and Gas underwriters appear to have found a way around the strict tax deductibility regulations for new oil floats — by signing their employees up as holders of the shares.

Individuals as initial subscribers for shares in NZOG were entitled to claim a tax deductibility on their gross incomes equivalent to one-third of the amount subscribed — but companies and investment groups do not qualify for the deduction.

NBR understands two or three of the underwriters have found a way around this problem. Instead of taking their full amount of shares in their own name they took them in the name of individuals — usually employees of the underwriting company.

These individuals bought the shares with money provided by the underwriter on the understanding they could sell the shares back to the underwriter at some later date.

In some cases the individuals were given the full benefit of the tax break; in others it was split between them and the underwriter.

The $20 million NZOG public sharefloat filled last week when the underwriters picked up the $12 to $12.5 million overhang.

That leaves about 60 per cent of NZOG's capital in the hands of the 12 primary underwriters and their sub-underwriters, many of whom had no intention, and have no desire, for an equity position in a risk capital venture such as oil exploration.

About half the overhang was picked up by the 12 primary underwriters led by Renouf and Co and the New Zealand United Corporation, and the other half by sub-underwriters, some of which are overseas firms.

Because the underwriters had to subscribe for their shares at 50 cents par value when the market price was only 38-39 cents, there is little likelihood they will dump large parcels of shares on the open market, depressing prices further, and undermining their own investment.

But many of the underwriters want out. This appears to put them at cross purposes with NZOG.

Some of the underwriters are hoping to sell large blocks of shares to one or more oil companies wishing to take up an equity stake in NZOG — perhaps in conjunction with a farm-in deal to explore NZOG's petroleum licence areas.

But NZOG has its $20 million in the bank, its own plans, and is likely to resist any moves to give control to an outsider.

NZOG's secretary Tony Frankham said: "We are more interested in farm-outs area by area and would very much prefer to have a wide spread of New Zealand shareholders who are long-term investors. We would prefer to deal with the future financing requirements by specific farm-outs on a geared basis and not have to deal with the capital structure of the company," he said.

Should the underwriters, acting as a group, find a company or companies willing to take up the overhang to become an equity partner in NZOG, the NZOG board would have to approve the move.

There are options open to the Stewart Petroleum family of companies to pick up 15 million additional shares at 5 cents, the balance to be paid by 1987.

NZOG sources acknowledge that until the company's unwilling shareholders (the underwriters) are flushed out, the market for NZOG shares will probably remain soft.

But even assuming the company's petroleum licences, capitalised at $5 million, are worth nothing the asset backing of the NZOG shares is about 38 cents. This asset backing is in a very liquid form — $20 million invested in blue chip securities.

The underwriters are unlikely to be out of pocket for cash, because NZOG will complete the investment cycle and reinvest with the same companies.

Having picked up the NZOG overhang, the underwriters face a dilemma. To sell on the open market would depress prices. To hold the shares was to forego the tax advantages available to NZOG investors.

Individuals, as initial subscribers to NZOG shares, were given a 33 per cent tax break. In effect, anyone in the 60 per cent tax bracket had a 10 cent tax write-off for every 50 cent NZOG share bought.

But this tax break was available only to individuals — not companies.

National Business Review . . . New Zealand's own, distinctive newsweekly.

Leaseback valuation key aspect of Propsec probe

by Klaus Sorensen

THE Securities Commission is expanding its investigation of the City Realties takeover for Property Securities — to include a scrutiny of Propsec's method of valuing its leaseback property portfolio.

Commission chairman Colin Patterson confirmed last week that the commission is continuing its probe into the takeover — even though City Realties relented on its original "no cash only" takeover bid, and instead arranged for underwriters to provide a straight ($2.40) cash alternative to the shares and cash bid.

Patterson said the commission had sent a letter to City Realties on October 9 requesting information on several points, though it had not received a reply by last Thursday.

He said the aspect of City Realties either controlling, or holding options to purchase, 46 per cent of the capital of Property Securities at the time the bid was made still interested the commission.

"Another is the question of price — are they giving similar treatment to all shareholders? — that aspect interests me very much."

Asked whether the commission was also looking into the question of leaseback valuation as it related to Property Securities, Patterson replied: "Yes we are — I would draw your attention to the circular issued by the directors of Property Securities on July 30 which referred to changes in the leaseback valuation policy.

"The commission wants to know if the changes in accounting policy outlined in that circular are going to be implemented in the July 31, 1981 balance sheet — which is due out shortly."

The question of "off-balance-sheet items" such as leaseback properties has exercised accounting minds for some years and there is growing pressure for companies to implement some method of reflecting the value of the leaseback portfolios in the balance sheet.

Property Securities develops properties, sells them to an institution and then takes the head lease back, in order to sub-let to tenants.

This means some of the company's principal assets are the leases between the institutions and the company, and the subleases between it and the tenants. There is usually a rental difference between the two lease deals, which accrues to Property Securities.

Patterson told *NBR* last week that there was a considerable degree of argument in commercial circles over the accounting treatment of leaseholds.

"It's a subject the Securities Commission will have to take an interest in — this sort of off-balance-sheet financing can conceal substantial assets, and liabilities and, of course, it relates to the whole question of financial disclosure."

The Property Securities Ltd circular to shareholders of July 30, 1981 followed the collapse of the New Zealand United Corporation takeover bid for Propsec, which placed a value of $2.30 on the shares.

The circular detailed the independent valuation of Wellington accountant Graeme Valentine — which was instrumental in the Propsec directors turning down the NZUC offer as being too low.

Valentine used a variety of valuation criteria and arrived at valuations for the company's shares ranging between $2.84 a share based on earnings, and $3.36 based on asset-backing.

Referring to the leaseback properties, the circular — signed by George Chapman (then acting chairman, now boardroom dissident) — said "the position is that the company has over the years acquired an interest in some 56 separate properties in respect of which it holds long-term head-leases, or in a few cases long-term management contracts."

According to Chapman, "in most cases the properties concerned have been developed by the company itself, before being sold to an institution or other purchaser."

In the last financial year rent and net leaseback income was $1.3 million of which $759,000 or 56 per cent was derived as net income from the leaseback portfolio.

"That income represented 38 per cent of the total taxable income for the year," Chapman said.

Chapman said that while it was clear that the leaseback transactions make an important contribution to profits, "it is an exceptionally difficult task to define a present value of the future worth of those leaseback transactions to the company.

"Mr Valentine has suggested that the "present day value of the future income to be derived from the leaseback properties would add approximately [illegible] per share after tax," Chapman said.

"That figure contributed to his calculation of $3.36 as being the total present asset backing for each share in the company.

"Mr Valentine did add, however, that 'there is a degree of uncertainty attaching to the calculation of future income and future rates of taxation' and noted that 'the calcuation of an asset backing is not of over-riding importance in an assessment of market values of shares."

According to Chapman, "the directors of the company are keenly aware of the difficulties involved in seeking to attribute a value to the leaseback portfolio, in the past they have thought it sufficient to allow that portfolio to make a general contribution to overall profitability, without itemising matters specifically.

"In future, however, they propose to isolate and identify the contribution which the portfolio makes to the company's profits."

Whether this means the directors will seek to value the leaseback portfolio in terms of asset backing, is hard to say.

But it seems certain the forthcoming Propsec report will be keenly read by NZUC, which offered $2.30 a share, by City Realties which is offering the equivalent of $2.50 in its shares and cash deal, by Graeme Valentine who thought somewhere between $2.84 and $3.36 was about right — and of course by the Securities Commission.

High dam under siege

WITH the $795 million Aramoana smelter side-tracked from the National Development Act's fast track by the Alusuisse withdrawals the Environmental Defence Society wants to derail the Clyde high dam proposal.

EDS executive director Gary Taylor said the society would seek a Planning Tribunal rehearing of the Clyde dam decision on the grounds that the 1980 approval was granted only because power was urgently required for the smelter.

It was clear that at least the urgency has gone, he said.

Editorial

TRADE and Industry Minister Lance Adams-Schneider regards the latest Consumers Price Index reversal — a rise to 15.4 per cent in our annual inflation rate — as "reasonable in the circumstances." If that view is shared by his colleagues, the Government has become pathetically out of touch with informed thinking in the community.

The reality is that the Muldoon Administration's economic performance is about to be judged by an electorate which has directly felt the effects of rapidly rising unemployment and a chronic double-digit inflation rate, compounded by five years of nil growth, a huge internal deficit and persistent balance of payments problems. More ominously, its failure to effectively deal with these problems is eroding the confidence of those who traditionally lend National their unswerving loyalty — farming and commercial leaders.

And if it is oblivious to these realities, then the Government might largely blame itself for stifling the public debate that should provide it with feedback to temper its policies. The disparagement of critics — indeed, apparent attempts to muzzle them, in the case of Bank of New Zealand chief economist Len Balyliss — seems to have muted much of the groundswell of adverse reaction to its performance from the business leaders whose support it should be encouraging.

The financial community, for example, has kept quiet its disquiet about Muldoon's eccentric interest rates policy. He has threatened to impose controls at a time when inflation is high, nurtured by an astonishing growth in the money supply. Not so astonishing, finance leaders tend to suppress their opposition and the reasons for it — at least, in public. They obviously prefer to keep onside with a Finance Minister who has indicated a readiness to use considerable powers of retaliation against those whom, he would argue, must be brought into line with his economic objectives. Thus his threats effectively control the marketplace of ideas just as they regulate the marketplace for money.

The life offices and finance houses have already tasted Muldoonian retribution, in the form of increased asset ratios. Now that their interest rates are a target for control, they are understandably anxious not to offend — but, beyond the public limelight, those who hob-nob with financiers are finding an intense bitterness towards current monetary policies.

Criticism is implicit, too, in an undercurrent of concern among Treasury and Reserve Bank officials. Indeed, there is significant support for the ideas contained in a secret International Monetary Fund report, prepared in November last year, which called for the resumption of a public debt policy as a matter of "considerable urgency"; for the rate of inflation to be brought down with "vigour and determination"; for the active selling of Government securities to the public at competitive rates of interest; and so on.

But not all have been cowed into silence. Efforts to dissuade Bayliss from making economic pronouncements (on the grounds they were adversely affecting our international credit) didn't stop him reiterating his 20 per cent inflation forecast last week. National Party branch chairman Doug Graham has sounded off against inaction on tax reform and superannuation (and he promises to speak out on other economic matters despite party efforts to shut him up). Don Brash, respected financier, economist — and National Party candidate — has had a lick at the Government's monetary policies while urging the need for political honesty on matters such as inflation.

From the farming side of the fence, Ewan McGregor, Hawkes Bay provincial president of Federated Farmers, wrote in Straight Furrow that any administration whose economic management allowed inflation to race away ahead of that of our trading partners "is placing the New Zealand economy, and hence its long-term welfare, at risk and must stand indicted." He was not interested in excuses, he said, "because the remedy lies fair and square in Government's hands . . . it is simply a matter of firm control."

Last week, Wellington sharebroker Frank Renouf attacked the Government's performance. He had spoken out previously to the Chamber of Commerce (to criticise the Government's "think big" financing strategy), but insisted then that the chamber go into committee so his remarks would not be reported. This time he chose to speak out publicly, presenting a written statement of his views and giving copies to the news media. He recommended a series of three-year plans to eliminate the Government deficit, a monetary policy to maintain tight controls on the money supply, and the use of incentives to encourage savings and investments to lift real productivity.

Renouf is representative of a substantial body of critical opinion in the business world, particularly finance circles. He fired his shots across National Party bows at a sensitive time with the election but a few weeks away. He might even have been trying to dim the Government's election hopes.

Overall, the situation raises the question of whether there is an influential body of support for a new deal. One result of that might be to have Muldoon replaced as party leader and to give National three years in opposition to regroup in the reasonable expectation that the economic mess inherited by Labour can't be cleaned up during just one term in office. The irony of that scenario would be the removal of a pugnacious politician who operates superbly as a leader of the opposition.

But whatever farming and commercial leaders might be hoping for in the next three years, they have given clear signs of disenchantment. In November they will be decidedly shaky pillars of Establishment support for this National Government.

— Bob Edlin

Without word of a lie

Slip up . . . or down

FREUDIAN slip of the week (a quote from a marketing man): "Over 9 per cent of our profits are demoted — sorry, devoted — to research and development."

Uncorked too early

THE Industries Development Commission proposed that wine resellers' licences be amended to allow the sale of imported wines as well as New Zealand wines. But the part of the Sale of Liquor Amendment Act which implements the proposal has been shelved untill next year.

It might appear that some of the winesellers have jumped the gun. A bottle of Ehrenfried Bros Shiraz Cabernet 1976, an Australian wine, was recently found on an Auckland winesellers shelves.

The manager said he had no idea where the wine came from: it "just turned up on my shelves one morning," he said.

The licensee was able to reassure *NBR*, that the wine was surplus to his requirements. "that wine was meant for my personal use — I didn't like it so I sold it".

He hastily added: "the Shiraz Cabernet is a nice wine."

Persistence pays

WHILE finance houses bend to Rob Muldoon's demand for lower interest rates, the Post Office has been offering a highly attractive 19.259 per cent.

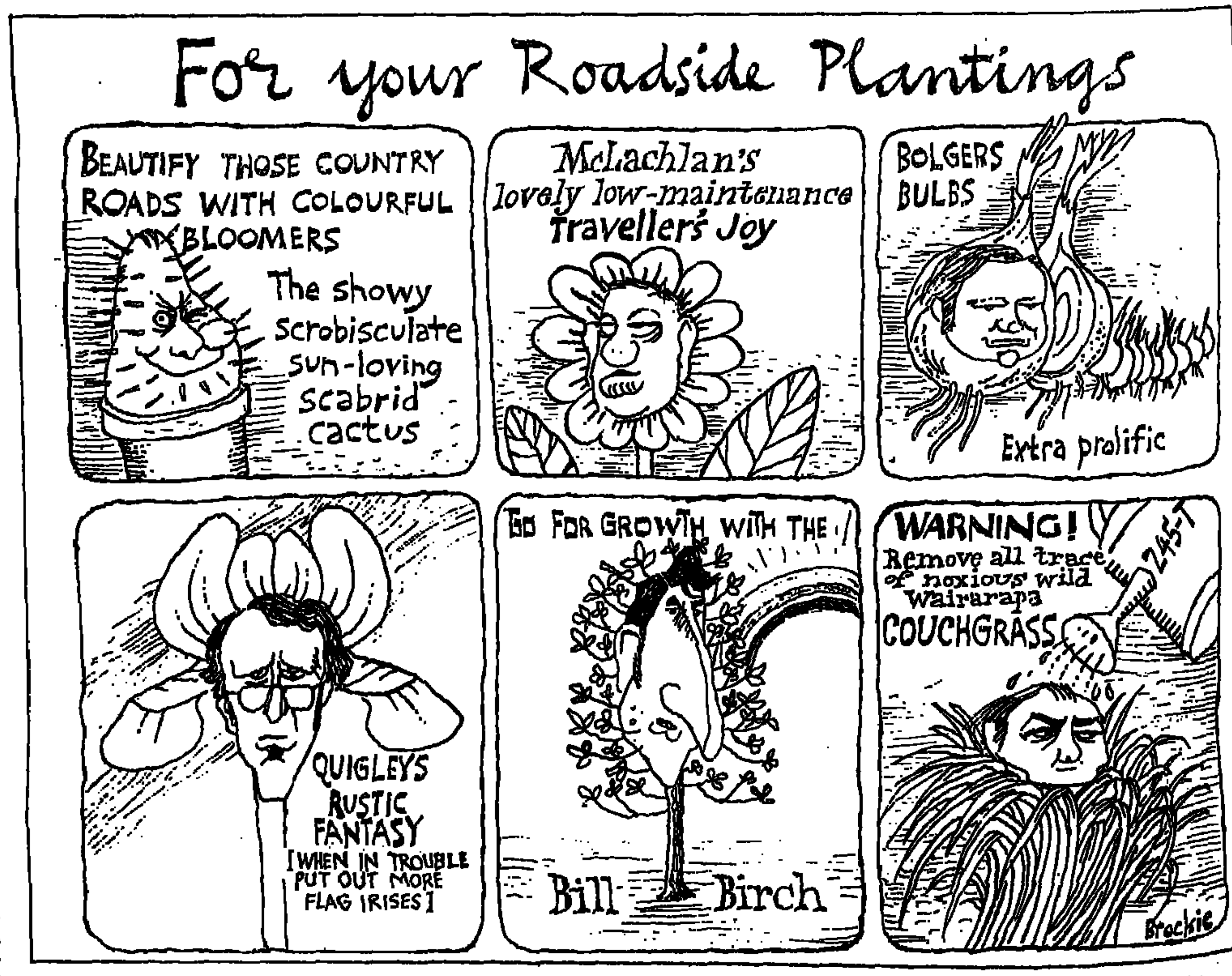
The Post Office savings certificate rates have been advertised in the press and brochures. Trouble is, our friends in the finance world couldn't figure out how the rate was calculated.

The brochure said: "For example, if a certificate is surrendered after four years 29 days you will receive four years' interest at the effective compound interest rate of 7.791 per cent per annum and 29 days at the simple interest rate of 19.259 per cent per annum."

To find out what this meant, we went to the NZPO's principal researcher, John Wallace, who told us: "If a $100 certificate is redeemed at the end of the fourth year you would get $135. When it matures at the end of the fifth year you will get $161. The difference is $26 and $26 over $135 multiplied by 100 gives you the 19.259 per cent."

Simple when you know how. But it took *NBR* through three branch Post Offices and three Post Office headquarters' staff to get this answer. We wonder what those savings certificate investors thought when they bought into the scheme.

Brockie's view



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Business editor: Klaus Sorensen
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Colin James, Stephen Bell, Jack Hodder, Allan Parker, Ann Taylor, Richard Fletcher
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Auckland Office:
1st Floor, Shaws Building
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Tel: 799-304 (Editorial)
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The real dilemma: when compromise is cop-out

by Dave Witherow

THE serious dilemma at the heart of all environmental thinking is one which many committed environmentalists seem unaware of, and which others deny, or in the press of action manage to ignore.

The dilemma stems from the simple fact that permanent growth within the finite systems of the Earth is quite impossible. Most of us know this, of course — it is very elementary — but we know it in a kind of intellectual vacuum. We are willing to accept as an academic argument that growth must ultimately cease — that there is a limit to the stock of people and their playthings the planet can sustain — but our planning takes no account of it.

(Isaac Asimov once wrote a fine essay on the subject. He extended contemporary growth rates, and proceeded through various entertaining stages of planetary congestion to a final stage — some centuries away — when the Earth's diameter, composed of multiplying people, was expanding outward into space at the velocity of light. This is entirely unbelievable, and quite impossible, but in theory Asimov was correct. His parable well illustrates the insidious nature of geometric growth.)

Other limits will supervene, however, and some of them are already showing up.

The energy crisis — which is not a crisis at all, in the sense that crises are temporary emergencies that peak and then diminish — has been the first of these to seriously focus our attention. But, curiously, we are not willing to accept this harbinger for what it is, and the consensus seems to be that the "crisis" was engineered by Arabs, or by oil companies, or that it doesn't matter anyway because science is sure to come up with an alternative.

Well, maybe science will, though it is an odd irony that science, which supplanted the "blind faith" of religion, should wind up itself as the receptacle of an equally blind, but much more desperate variety of faith.

Human nature apparently has changed very little; we insist upon a shallow optimism and the political life of our little nation is in consequence reduced to the present three-ring event, with its unlikely presumption that all is going to turn out well if only the correct economic levers are suitably adjusted.

No superficial tinkering can adequately serve us now: we have reached a watershed in history, and there really are just two ways we can go — as Labour leader Bill Rowling keeps repeating.

But Rowling's alternatives: "Think Big" and "Think Balanced" (as I understand he calls it) represent a bogus choice. Both are policies of growth.

It is essentially irrelevant whether we think big or think balanced; our destination is the same in either case, and the only advantage of thinking balanced is that its slower pace may involve less damage before we finally make a serious decision.

Economic expansion is not the only imaginable pathway to whatever we are collectively in search of. For generations past it has been sufficient, and the benefits in leisure, comfort, and human possibility, are very great.

The stage has now been reached, however, of rapidly diminishing returns, and mere cultural momentum must not distract us from the hard necessity for resourceful adaptation.

There can be no more increase in material wealth without a corresponding cost, and the debate we must eventually conduct concerns this inevitable trade-off.

I am not certain where the balance lies, but the issues are quite plain, and rather than fudge things any longer I think we should address them.

Three million of us live in New Zealand now — is that enough? We are moderately wealthy — is it sufficient?

No, say the growth-promoters. Very well; I am amenable to argument. Where do we stop? Think of our human impact on these islands. To increase in wealth or numbers means more rivers dammed for power, more forests logged, more minerals extracted — and less agricultural produce left in the end for export.

Political horizons extend perhaps three years, but there is no reason for this myopia to affect us all. The children of our children will still be living in this land, we must at least believe.

What will be left for them? Look at the world around you — there are models in profusion for what we may become.

There are big thinkers of every hue, some with a hundred years head-start on us. Peace and contentment have eluded all of them: envy, greed, and the spiritual wasteland pervade the shadows of their once-bright dreams.

Why did we come here from England, Scotland, Holland? Was it merely to enact the same old self-destructive farce in a new unsullied setting?

The environmental war becomes, at times, a little weary. Lawyers have taken over, and a thick bureaucratic fudge is congealing on the issues.

The real people are still there; still laughing at the emperor. But they have been excluded: "too extreme" or "inclined to be emotional".

So now there is careful negotiation and the tomb of each defeat is festooned in environmental safeguards. I long for some straight talking.

The advocates of progress foresee no limitations to their plans. The engine of progress is aimed and will proceed. Debate will be peripheral and if possible irrelevant.

And, although perhaps more complex and amusing, our fate will resemble that of a yeast culture in a bottle. In the circumstances environmentalists, conservationists, rebels of every sort, can do one thing only: oppose. Oppose.

This is the substance of the dilemma. To be extreme is to lose the support of the muddled middle-roaders — to whom compromise is virtue.

But compromise is nothing but defeat, if the assumptions of unending growth are tacitly accepted. What is not taken now will go tomorrow. It is therefore unreasonable to be reasonable, and to assume that rearguard actions can buy sufficient time for some wholesale enlightenment.

The derisory concessions that are now granted the environmental movement can only help delay a more general awareness of the simple choices that confront us: we can have growth (for a little longer, and at great cost), or we can begin to build a society that will cease to rip apart the very fabric of the Earth.

When once some inkling of the existence of these choices is acknowledged, then the real parley may begin. The hour is late, but a chance remains that in post-industrial New Zealand — here, if nowhere else — *homo sapiens*, man, wise, might at last begin to justify the promise of his name.

Dave Witherow is a Dunedin zoologist and occasional environment and fishing writer.

Without word of a lie

TV or not to be

A CRITIC who regularly reviews television programmes or an advertising man who, as a matter of duty, scrutinises television commercials could logically think of the television set as a tool of trade. So operating costs — depreciation, maintenance and licence fees — should be deductible expenses for tax purposes?

The IRD doesn't think so. It says that everyone's got a television set anyway.

Try telling a carpenter that everyone's got a hammer, anyway. According to the New Zealand Tax Guide 1981, "The cost of purchase, replacing and repairing your tools of trade and other equipment that you need to carry out your work is fully deductible up to a maximum of $100 per item."

The only way you can make TV expenses deductible is by proving that, if it wasn't for that job, you wouldn't have a television set in the house.

Come to think of it, with all those party political broadcasts looming up, that shouldn't be so hard to prove.

Wood for trees, etc

"THINK twig" was announced as MPs rushed into the house to debate the National Development Act amendment. "The large scale flower and tree planting to beautify" the country coincided with the debate of an amendment to speed up fast-track procedures which is raising the ire of environmentalists.

The Government might have done better to include incentives for macrocarpa nurseries and shrubberies in New Plymouth and Aramoana to hide the overseas investors from the beguiling tourist dollar.

Letters

Working out real income

I RECENTLY heard a prominent man argue that a 16 per cent increase in gross wages to compensate for a 16 per cent increase in the Consumers' Price Index will leave the recipient worse off as his after-tax income will rise by only 12 per cent, say.

In talking of incomes there are at least five distinctions to observe, namely:

G: Gross income, or what you cost your employer;

T: Take-home pay, or gross income, less PAYE;

A: Available income, or take-home pay less fixed expenses;

E: Essential income, or the sum needed for necessaries;

S: Surplus income, or available income less essential income.

Most discussions consider only gross income and take-home pay instead of available, essential and surplus incomes, the only incomes that most wage earners have control of.

Thus, while it is true that take-home pay may not rise in step with inflation, it is also true that surplus income can rise at a faster rate and in a way more attractive to workers (whether as trade unionists or voters) than economic stability.

In the tables I have assumed for Year 0 a take-home pay proportional to 100, and fixed expenses proportional to 25. The calculations also assume that taxation allows take-home pay to rise by only 8 per cent for a 10 per cent increase in gross income. To illustrate:

In Year 0 the wage earner has 100 units of take-home pay, of which 25 units go in fixed expenses, leaving an available income of 75 units to buy goods and services.

During the year the CPI goes up by 10 per cent, and what once cost 75 units now costs 82.5 units. Further, as a result of a 10 per cent rise in gross income to compensate for 10 per cent inflation, the man's take-home pay rises by 8 per cent to 108 units. From this deduct 25 units of fixed expenses to leave 83 units of available income to cover costs now standing at 82.5 units. If the man's old available income is represented by the index number of 100, his new available income is represented by 100.61, which may not seem much of an increase.

If, however, available income in year 0 is divided between essential and surplus incomes in the ratio of 95 to 5 (and many on very low incomes cannot afford $5 in every $100 of available income for luxuries), then the figure of 100.61 at the end of the last paragraph represents a 12 per cent rise in surplus income if the wage-earner keeps to the same range of goods and services as before in defining his essential income.

Assuming that initially T=100, A=75, E=71.25, S=3.75; that a constant rate of inflation is maintained for 40 years; that gross incomes rise exactly in line with inflation; and that the rate of increase in take-home pay is only 0.8 of the rate of increase in gross incomes; we can construct the tables below for different constant rates of inflation.

From a study of the tables, and the construction of similar tables allowing for a greater or smaller fraction of take-home pay going in fixed expenses and allowing for fiscal drag taking a smaller or larger part of increases in gross incomes, two facts emerge :-

- The greater the fraction of take-home pay absorbed in fixed expenses, the greater the immediate advantages from inflation. Hence, present policies of raising the cost of borrowing for housing are inflationary.
- Any adjustment of the tax schedules to reduce fiscal drag also makes inflationary policies more attractive to the lower paid.

C T Reid
Papatoetoe

0.5 per cent inflation a year

Year	G	T	A	E	S
0	100.00	100.00	100.00	100.00	100.00
1	100.50	100.40	100.03	100.00	100.66
5	102.53	102.02	100.16	100.00	103.18
10	105.11	104.07	100.30	100.00	106.02
15	107.77	106.17	100.43	100.00	108.54
20	110.49	108.31	100.54	100.00	110.72
25	113.28	110.49	100.63	100.00	112.60
30	116.14	112.72	100.71	100.00	114.18
35	119.07	115.00	100.77	100.00	115.46
40	122.08	117.31	100.82	100.00	116.46

2 per cent inflation a year

Year	G	T	A	E	S
0	100.00	100.00	100.00	100.00	100.00
1	102.00	101.60	100.13	100.00	102.62
5	110.41	108.26	100.55	100.00	110.96
10	121.90	117.20	100.85	100.00	117.02
15	134.59	126.88	100.94	100.00	118.70
20	148.59	137.36	100.82	100.00	116.48
25	164.06	148.71	100.54	100.00	110.82
30	181.14	160.99	100.11	100.00	102.05
35	193.99	174.29	99.53	100.00	90.68
40	220.80	188.69	98.85	100.00	76.90

8 per cent inflation a year

Year	G	T	A	E	S
0	100.00	100.00	100.00	100.00	100.00
1	108.00	106.40	100.49	100.00	109.8[illegible]
5	146.93	136.37	101.06	100.00	121.1[illegible]
10	216.89	185.96	99.41	100.00	88.1[illegible]
15	317.22	253.59	96.08	100.00	21.6[illegible]
20	466.10	345.81	91.77	96.60	0.00
25	684.85	471.56	86.94	91.52	0.00
30	1006.27	643.06	81.89	86.20	0.00
35	1478.53	876.91	76.83	80.87	0.00
40	2172.45	1195.87	71.86	75.64	0.00

16 per cent inflation a year

Year	G	T	A	E	S
0	100.00	100.00	100.00	100.00	100.00
1	116.00	112.80	100.92	100.00	118.40
5	210.03	182.62	100.06	100.00	101.1[illegible]
10	441.14	333.50	93.21	98.12	0.00
15	926.56	609.03	84.04	88.47	0.00
20	1946.08	1112.20	74.49	78.41	0.00
25	4087.42	2031.08	65.44	68.88	0.00
30	8584.98	3709.13	57.22	60.23	0.00
35	18031.40	6773.68	49.90	52.63	0.00
40	37872.09	12369.82	43.46	45.75	0.00

Politics

A red hot poker by any other name would smell . . .

by Colin James

IMAGINE some futuristic Labour Government announcing a scheme to "within five years" transform "sections of the country into the most spectacular beautiful landscape".

Imagine Bill Rowling and one of his effete middle class intellectual ministers soliloquising that New Zealand would be a "total garden showplace unmatched anywhere in the world".

Then imagine that this "massive planting campaign of the entire nation's roadsides" was going to be done by the taxpayer. And that a trendy architect would head a planning committee at taxpayers' expense to decide who gets red hot pokers as their provincial "particular identity" and who gets Chinese lantern bushes.

The National Opposition in such an event would have a field day (pun intended).

First up, the leader of the Opposition, Robert Muldoon. A noted lily fancier, but no poofter (on his own admission).

"This is another of Labour's wild schemes, dreamt up by one of their bright boys like Bassett or Prebble.

"There's an election coming. They'll promise anything, do anything, for your vote. And with your money. Our research department estimates this will cost at least $800 million a year.

"And, true to form for the dear old socialist Labour Party, you're not going to get a look in. They're going to tell you what flowers you're getting.

"If you live in Taranaki and you don't like red hot pokers, too bad. That's what you're getting.

"When we're the Government again we'll give you New Zealand the way you want it. Like aluminium smelters."

Next up, Derek Quigley:

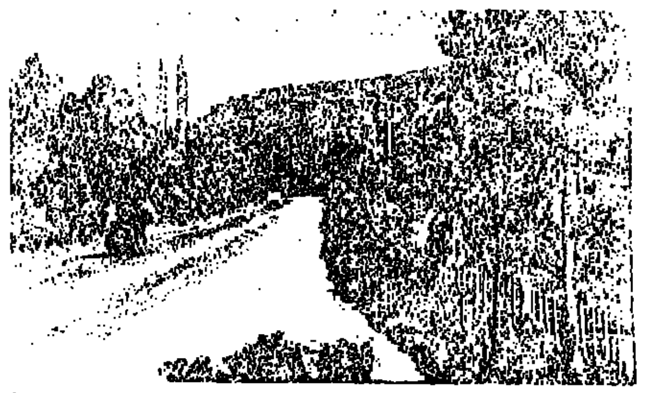
"I note that there is no budget attached to this. The minister has even said he doesn't know how many people will be involved.

"This is flat against all the expenditure control rules I devised with the Treasury when I was Associate Minister of Finance.

"When we were the Government we tried to get expenditure down to cut taxes.

"We found one of the worst problems was 'expenditure creep' — initiating a programme that maybe does not need much money at the start but has a self-fuelling growth factor built into it that is difficult or impossible to control.

"This programme does not have a cost for this year, let alone for five years into the future.



Life in a free country.

"In any case, we should be reducing Government activity, not increasing it, as I showed in a practical way when I was Minister of Housing by getting private enterprise to do what the taxpayer had been doing."

Warren Cooper: "Did someone say growth? I'm for it" . . . nudge from his right . . . "No, I mean I'm against it. I'm against any socialist growth."

Jim Bolger: "This is just another of Labour's hypocritical schemes to hide unemployment. I've had a lot of experience in the employment field and I know a job-creation scheme when I see it.

"They're claiming it will be an investment and that more tourists will come here and they will be 'encouraged to linger'.

"How many tourists will linger over some red hot pokers in Taranaki? If they go to Taranaki it will be to see the synthetic petrol plant we had the practical sense to build. That's real investment."

Allan Highet says it is another example of centralised bureaucracy doing what local communities can do better.

Hugh Templeton doesn't say anything, because he quite likes flowers. Marilyn Waring doesn't say anything either but privately hints at support because she likes flowers, too. A lot.

Ian Shearer is tempted to join her, but thinks he'd better check it out with the boss first.

Jim McLay says a very great deal, all of it brilliantly exposing the flaws of logicality in the scheme, but too long to print here.

Doug Kidd says if there was a demand for flowers on roadsides the market would meet that demand.

The "more marketeers" on the back benches all agree with Ian McLean who says that this is one more example of the state doing things for people they should be doing for themselves.

McLean: "The most pressing need is for a change in attitudes so people stand on their own feet more and don't feel the need to be protected from reality."

Hon farmer members ask one after another what is wrong with reality. Nice green paddocks, some with trees in tidy straight lines. None of this higgledy-piggledy (no pun intended) mess you see in Britain with oaks and ashes and the like getting in the way of the tractor.

One hon farmer member: "We had the initiative and enterprise to get rid of the trees so we could make some money for New Zealanders. Now the Labour Party wants to put some back."

Another hon farmer member: "At least, make sure the trees are nut trees or something, so we get some return for our money."

Another, who is growing a stand of lovely pines under the state-handout forestry scheme (a sensible use for tax money): "How does the Labour Party propose to get all these trees fully grown in five years?" waving a publicity picture showing pohutukawas blooming on gravelly, desolate foreshore.

And another: "What happens to all the flowers when the first mob of sheep or cattle is driven along the road? Or is the socialist Labour Government going to stop us using the roads?"

Bill Birch can't be bothered with debates over trivia. He's off prospecting (for partners for his next batch of big projects when the socialists are beaten at the next election).

George Chapman says schemes like the one in question are the result of Labour MPs not listening to the practical people in the rank and file of the party.

Mana Motuhake fumes about planting the place out in "non-indigenous" species. "It's one more example of the pakehas shoving their ideas and culture down our throats," says Mat Rata.

Of course, the Labour Government has vigorous answers.

Koro Wetere squashes Rata. "It's foreigners whose money we want. We've got to give them what they like back home."

Russell Marshall reads out long lists of pleasant prominent people who think it is a good idea to make roads less of an eyesore and who have sent him picture calendars of the British Isles to make their point. (I have sent him one, too, but maybe I am not a pleasant enough chap to be put on his list.)

Michael Bassett provides the intellectual justification:

"I read a book once about world landscapes which had a picture of the Canterbury Plains in it as an example of the worst man can do to the landscape." (It's true — I've read it, too.)

"We have a duty to undo some of the damage."

Ann Hercus brings it down to practicalities.

"This is not doing what private enterprise should do. It is the state in its proper role: doing things for which there is no profit for private enterprise but which will help the small enterprises involved in tourism."

Pressed, she concedes that perhaps Development Finance Corporation money could be given to firms eager to do their own roadside beautifying.

Roger Douglas doesn't say much but dreams of a roadside harvest for his natural medicines and cosmetics business.

But here comes king-hitter Bill Rowling:

"Since the psychological turnround with the election of a Labour Government there has been so much growth in the economy that we've been able to do all our $1300 million-a-year election promises programme, plus hand out $860 million in tax relief, and still have money over.

"The National Party worries about controlling Government spending only because the economy was so bad in its time it didn't have any to spend — and ran up a huge $2500 million-plus deficit which we had to eliminate before we could get started.

"And as for telling people what to do, that's rubbish.

"This programme is in keeping with our new policy of setting the pee-pul of this great country of ours free to do things for themselves.

"We plant the flowers. They are free to sniff them."

'Little orphan Annie' FCL deserves a break

by Klaus Sorensen

IT'S about time the sharemarket had a "be nice to Fletcher Challenge" week.

The poor old market giant has been having a rough time lately what with the aluminium smelter and a dismal share price.

It seems the company may be finding its size is working against it.

For many its role in the second aluminium smelter debate is that of the bogyman.

And now FCL appears to have got offside with the market — though the reasons for its loss of support can be attributed as much to the increasingly powerful analysts, as to the ordinary investor.

It seems ironic that FCL has fallen foul of its biggest fan when the sharemarket has always been the greatest ally of the money-making cause, and should be supplying moral support to FCL over the smelter problems.

Usually the market turns a blind eye to the less attractive aspects of capitalism, like the redundancies, but all of a sudden it seems to be finding FCL's clout, and its big plans, unpalatable.

The suggestion that forest export incentives might be wiped and the general downturn in forest export markets have added to the markets "second thoughts" on "the big New Zealander".

The reasons the analysts have gone off FCL are varied.

They were originally picking a *profit* higher than the $90 million net reported by FCL, and seemed a little disappointed that the company wasn't able to live up to their expectations.

And then a number of them became upset when FCL did not provide as much detail in the preliminary announcement as they would have liked.

It made their job of assessing the "quality" of the company's earnings more difficult, and they had become accustomed to a very high standard of disclosure from Challenge Corporation.

It seemed that the merger might have led to a more restrictive disclosure policy.

But the first Fletcher Challenge Ltd annual report, released two days ago, will set many minds at rest — and could even add some encouragement into the market.

The report contains two sections totalling 67 pages, and closely follows the old Challenge style of report.

Fletcher Challenge chairman Ron Trotter and managing director Hugh Fletcher did themselves a big favour last week when they held a press briefing to discuss the report.

Trotter has traditionally held a briefing every year, the week before his Challenge annual report was released, and he became famous for his impressively exhaustive, and only occasionally interrupted, monologues on the year past and present.

This policy is thankfully being continued.

Last week's briefing served to set the record straight on a number of factors, and half a dozen or so important statements emerged:

- The company expects a profit reduction in the forest sector, from its 1981 figure of $51.7 million, though this sector will continue earning the biggest profit for the group;
- The directors have set a policy of devoting 7.5 per cent of pre-tax profits to technology and resource development, including $9 million on offshore oil exploration;
- It is in no immediate hurry to sell its Marac shareholding — contrary to market speculation;
- A major debenture issue will be launched in the next few months — using a newly developed borrowing instrument to replace the customary trust deed;
- **Though the investment analysts have gone cool on the company, 60 per cent of the staff are shareholders;**
- And according to Hugh Fletcher, if the aluminium smelter does not go ahead "it will be no skin off our nose."

Trotter began last week's briefing by saying he felt the criticism of the preliminary announcement had been "tough and unfair".

It was as much information as most companies give, and the report itself had involved an "incredible effort" to prepare it in the three months after balance date.

"At the time we made that preliminary announcement we had the bottom line but we didn't have a breakdown of sectors — to the extent that we could have commented without misleading."

Trotter said there had been a great deal of work involved in harmonising the different accounting policies, though the group has now settled down well, having been broken into six operating sectors which are running "very smoothly".

The six sectors are rural and trading, forest industries, construction and property, manufacturing and merchandising, finance and computers and energy and minerals.

The report shows rural and trading earned $17.4 million in 1981, forest earned $51.7 million, construction $5.1 million, manufacturing $9.4 million, finance $8.4 million, while energy operated at a $1 million cost.

Trotter told the briefing the rural division had a good year coming "underpinned by the Government's supplementary minimum price scheme — the farmers should have a good year with production up and livestock figures increasing significantly."

The forest sector is bracing itself for the cyclical downturn in newsprint and pulp prices.

"However, we are fully sold — and we will still have a good year though not as strong as the year past."

The construction and property divisions have gone through major reorganisations, particularly of the Australian Wallace and Watts construction companies, and "we expect a significant improvement in profit performance over the next few years."

The housing division did not make a profit in the 1981 year, but the market is now improving and the company has increased its market share.

Finance and computers took a little longer than expected to restructure, "but they had a good year and an even better year is in prospect next year."

As for the energy and minerals division's smelter plans, "we still believe this project will be good for the country and the company, though it won't be determined for some months yet as discussions continue on the revised project with potential partners."

But, "there is no doubt about the future of aluminium in the long term — if you just took short-term perspectives you would probably never make up your mind to do anything," according to Trotter.

Fletcher later told *NBR* the smelter was intended to supplement earnings in the 1990s — "so if it doesn't go ahead it's no skin off our nose."

With long-term thinking in mind, the second meeting of the FCL board had resolved to set aside 7.5 per cent of pre-tax earnings for "the whole field of development research and exploration — to keep on the leading edge of technology and resource fields," according to Trotter.

The company has achieved a major reduction in offshore borrowings — to reduce the overseas exchange rate vulnerability — from $73.4 million (out of total borrowings of $309.6 million) to $35.5 million (out of total 1981 borrowings of $309.9 million).

But local borrowings have been stepped up and Trotter confirmed that a major debenture issue would be made soon using the new negative pledge borrowing instrument which the company has spent nine months working on.

"I am confident that with our advisors we have now developed a flexible and innovative instrument which will overcome many of the problems of the old trust deed.

"We have just now got the institutions to agree to it, and by giving a floating charge we will be able to cut down on administration," Trotter said.

The report also discloses that the group benefited by a $30.6 million export deduction from pre-tax earnings.

However, FCL stresses that this figure, which compares with $14.6 million in 1981, has been boosted by the fact two of the merger companies were accounted for a 15-month trading period. The value of exports increased by a lower 40 per cent.

It seems that FCL's 1982 result, at this stage at least, will be either equal to, or better than the $90 million trading profit (before extraordinaries) earned by the group for the June 30, 1981 year.

An important factor will be the forest sector contribution — which *NBR* understands will still reach around $40 million, despite the shorter trading period and the international price softening.

Judging by the report, improved results are likely from the rural and trading, construction and property, manufacturing and merchandising and finance divisions, and this could well make up for any easing of the forest contribution.

Fletcher told *NBR* he believed the threat over export incentives was the major problem for the company in terms of its share price.

"What we want is a clear statement that forest exports won't be singled out — I believe that could add 40 to 50c to the share price."

But there is one factor which could easily upset the company's plans. Asked if there was anything major worrying the company, Fletcher told the briefing, "there is a very bad international recession out there.

"We've got through it very well so far, though sawn timber has been going poorly — in fact the Japanese sawn timber market has probably never been worse — but the big worry is the trend towards real interest rates of 8 per cent in the United States."

Fletcher said real returns of this nature — compared to only 1 or 2 per cent in New Zealand — could mean "there will be no new greenfield projects next year if real interest rates stay at 8 per cent — and that means no newsprint mill and no smelter."

As for Trotter, his old themes have continued in the new company.

He told *NBR* the primary motivation of the annual report — that of maximum possible disclosure — was unchanged from the Challenge days — adding "I've said it before and I'll keep saying it, the sharemarket discounts for uncertainty."

Controversial draft for release soon

by Klaus Sorensen

THE Securities Commission will release the second draft of its controversial financial advertising recommendations at the end of this month — after considerable behind-the-scenes argument and lobbying.

Commission chairman Colin Patterson told *NBR* last week that the commission had received a letter from Justice Minister Jim McLay authorising the release of the recommendations for public discussion.

Two weeks ago *NBR* asked the Minister when the second draft would receive the go-ahead for public release. His office told us that McLay had agreed to the release of the draft and while the commission had been advised of this "informally some weeks ago", written confirmation was to be sent to the commission the following day (Friday, October 9).

In July *NBR* reported that reforms to the currently anomalous Companies Act regulations on financial advertising and prospectuses had been caught in a legislative log jam.

The Securities Commission had sought changes to the first part of the Securities Act, which govern its operation, but the Government had deferred legislative consideration of the changes until the 1982 session.

This has effectively interrupted the commission's legislative programme.

However pressure from a number of interested groups — particularly the financiers who are subjected to the Companies Act requirements — seems to have helped to get Government approval for the release of the 100 page-plus second draft.

Patterson said last week that the second draft would be released following a meeting of the commission on October 27, although he thought there might be a bit of a delay in getting it printed.

He said the commission had *accepted submissions that there* should be separate specifications for debt, and equity securities, whereas in the first draft the two were "rolled in together".

The commission's recommendations on contributary mortgages would be released at the same time in a separate draft form. Patterson said interested parties would have until the end of February to comment on the recommendations.

The approval for the release of the second draft on financial advertising represents a minor victory for the commission against the opposition towards it within the Justice Department and in Parliament.

NBR understands there has been considerable argument in both arenas over the powers the commission should have, and over its relatively *outspoken and aggressive approach to securities industry reforms.*

Finance Houses executive director Ken Banker told *NBR* last week he was "highly delighted" with the decision to release the second draft. He said his organisation had made a request of the Minister to release the draft at a meeting "about six weeks ago".

Baker said McLay had said at the time that he was in the process of writing to the Securities Commission "to say there is no reason why it shouldn't be released."

The business week in brief

Wattie Industries Ltd equity net profit increased 35 per cent from $17.5 million to $23.7 million after sales rose from $385 million to $457 million. A final 6 cent dividend will be paid on bonus increased capital making a total dividend for the year of 11 cents compared with 9.5 cents last year.

Ansett Transport Industries Ltd operating profit after tax was $22,419,000 (last year $21,320,000) to the year ended June 27. No dividend will be paid on ordinary share capital.

Aurora Group Ltd is to redeem its 1986 specified preference shares on November 1. The 400,000 $1 shares will be redeemed by the allotment of 760,000 ordinary 50 cent shares.

Brierley Investments Ltd announced a group net profit to the June 30 year up from $6.8 million to $11.1 million. A final 5 cents a share dividend, making 9 cents for the year, will be paid and capital will be increased by a 1-for-3 bonus issue and a 1-for-6 cash issue of 50 cent shares at a premium of $2.

John Burns Group's Christchurch hardware and builders supply business has been acquired by Ashby Bergh Ltd and the retail side has been acquired by W H Collings Ltd.

Carter Holt Holdings Ltd intends to make an offer for the 75 per cent of Canterbury Timber Products shares to which it is not already beneficially entitled. It will offer $4.50 for each $1 ordinary share and $4.50 for each $1 convertible debenture stock unit. Carter Holt is already beneficially entitled to 24.8 per cent of the ordinary shares and 24.9 per cent of the convertible debenture stock.

Ebbett Waikato Group Ltd audited group profit for the year ended July 31 was $223,565 ($87,193 last year). The final ordinary dividend is 7.5 cents per share, making a total of 12 cents for the year. Payable on November 26, the dividend will be tax-free.

Goodman Group Ltd denied rumours of a merger with Watties which already has a 24.9 per cent holding in the company. Any increase would require the consent of the examiner of commercial practices.

Industrial Equity Ltd — the Australian Brierley subsidiary — increased net profits 23 per cent to $11.9 million, and is paying a 5 cent final dividend — making 9 cents for the year.

Industrial Gases Ltd has alloted 128,360 fully paid $1 ordinary shares to the employee share purchase scheme.

Leyland Investments Ltd after-tax revenue was $277,385 (100 per cent up on last year's $138,355). A final dividend of 6 cents per share from share premium reserve will be paid on December 11. The company will also be making a share issue of 1-for-5 held at November 3 — an issue of 200,000 50 cent shares priced at $1.25 — 50 cents capital and 75 cents premium.

B Lichtenstein and Co Ltd announced a renounceable cash issue of 1,112,400 ordinary 50 cents shares at a premium of $1.80 per share on the basis of two new shares for every five held following the 1-for-5 bonus issue held at November 5. The issue is subject to the AGM's approval to increase authorised capital.

Marac Finance reduced rates on secured debenture stock. On two, three and four years the rate goes down from 15.75 to 15.25 and on five years from 15.5 to 15.

Mineral Resources closes its books for entitlement to the 2-for-5 rights issue on October 19.

NZ Farmers Co-op Association of Canterbury Ltd announced an audited net profit of $2,207,944 (last year $2,331,939) for the year ended July 31. In addition to a final dividend of 10 per cent (5 cents a share) a special centennial dividend of 7.5 per cent (3.75 cents per share) will be paid from realised capital profits.

The Permanent Investment and Loan Association of Canterbury announced an unaudited profit of $63,155 ($3521 more than last year) for the year to September 31. An interim dividend of 7.5 per cent has already been paid and a final dividend of 7.5 per cent will be paid on November 23.

Printing and Packaging Corporation Ltd's net profit was $2,251,979 a decrease of 18 per cent from last year's $2,763,196. Directors will recommend a final dividend of 10 cents on ordinary shares bringing the year's total to 16 cents.

H C Sleigh announced a final dividend of 3 cents per share (6 per cent) payable on November 30.

UDC Group Holdings Ltd reduced interest rates for debenture stock, effective from October 13. Two to five-year terms, which previously ranged from 15.50 per cent interest a year to 15.75 per cent, are now all at 15.5 per cent.

Economic indicators

IF you're spending more than $232.66 keeping your household going then don't worry. That's what the average everyone was spending in March — 15.1 per cent more than the March year before.

THE Prime Minister's attack on interest rates would appear to be having some impact. The Wellington Savings Bank reduced all personal lending rates by 0.5 per cent and NZI Finance brought its two and three-year rates down from 15.75 per cent to 15.25.

MEAT killing charges went up 7 to 10 per cent causing "a major impediment to increased production," according to the farmers.

CANADIAN complaints about our lamb damaging their prices caused the suspension of the $150,000 trade.

A CURRENT account deficit of $126 million was recorded on overseas exchange transactions for August, compared with a deficit of $115 million for August 1980. Total deficit is $730 million, compared with $543 million for last year.

TRADING banks lent 30 per cent more and deposits grew by 20 per cent over the year to September 30.

Treasury advice and economic policy: the best option is through indicative planning

by H G Lang

"AFTER nearly five years of agreeable self-imposed purdah since my retirement from the position of Secretary to the Treasury, a prime ministerial speech about Treasury and other advice and the sad state of the economy have convinced me that I should comment publicly on these issues," Henry Lang writes in response to an NBR editorial.

On these two pages, he explains the advisory role of Treasury and sets out the advice he would tender the Government after this year's election if he were still Treasury Secretary.

THERE are two major misconceptions about Treasury policy advice.

The first is that the Treasury runs the country by manipulating politicians — shades of *"Yes, Minister"*.

My experience has been that in New Zealand politically sensitive decisions — and I would define these as decisions which, in the view of the Minister, could affect the way in which a significant number of people might vote at the next election — are made by the Minister not only in form but also in fact.

The Treasury can have an important input because of the way in which it can present problems and the types of solutions which it may suggest.

Whether the Treasury's input is influential depends on its quality and cogency and on the priority which governments are prepared to give to economic objectives, particularly of a longer-term kind.

The second misconception arises from a wrong interpretation of a recent speech by the Prime Minister in which he mentioned that he told me when I became Secretary to the Treasury, "Mr Lang, if you give me any economic advice that is politically impossible, you will be wasting your time and mine."

This led to the following comment in your editorial of September 28:

". . . It suggests that Treasury officials, if they are not to waste their time, must quickly become conditioned to dishing up to their ministerial lord and master nothing that will offend his electorally sensitive taste buds which further suggests his being fed an economic diet of cakes and sweets because few dare serve up a plateful of spinach and carrots."

Nothing could be further from the truth.

During my term of office — and I have no reason to believe that there has been any change since I left — Treasury advice has always been independent and in the public interest as Treasury perceived it.

In an article on the role of the Treasury, I had this to say about the Budget strategy report and recommendations from Treasury:

"This report gives Treasury's views regardless of whether they are likely to be acceptable to the Minister."

There have been many occasions when Finance Minister R D Muldoon received "unpalatable" advice. Sometimes, he acted on such advice; more often, he rejected it. In my experience, however, he has never suggested that the advice should not have been given.

Of course, economic policy is not framed in a vacuum and the experienced adviser must be aware of the political implications of his recommendations.

The Treasury's basic duty, however, is to provide a professional and intellectually rigorous analysis and to draw objective conclusions, recognising that political judgments will be exercised on economic issues which also take into account a government's wider goals and programmes.

The development of manifesto proposals illustrates another aspect of the Treasury's relationship with ministers. Treasury may not consider a particular proposal to be in the national interest, and may seek to persuade an incoming Government to modify it.

But if the Government wishes to proceed, Treasury has a clear duty to recommend ways in which the proposal can best be implemented.

One of the reasons that there is little public understanding of the nature of Treasury advice to Government is that such advice must necessarily be confidential if the relationship of trust which is essential between politicians and advisers is to continue.

It would, for example, be quite intolerable to publish a Budget strategy report if Treasury had recommended, say, a major change to superannuation or exchange rates or monetary policy which had not been implemented.

In such a situation the Government would be required to explain why it did not accept the advice and this is simply not on. Indeed, this is recognised throughout the Western world in freedom of information legislation.

In New Zealand, however, there have been two occasions when the Treasury's usual economic report following a general election has been published. The last such occasion was after the change of Government in 1975 when Mr Muldoon published the substance of the strategy report I had submitted.

It is important to stress that this report, like its predecessors, had been prepared before the election for the incoming Government whoever they were.

Nearly six years have passed since 1975 and it may be of interest if I outlined the sort of report which I would submit to the Government after this year's general election if I were Secretary to the Treasury. I have no doubt that Treasury itself is working on such a report, but I don't know its contents nor whether it is likely to be published.

Economic strategy

I propose to discuss strategy under three main headings — objectives, facts and options.

Objectives

I would state the objectives as follows:

In the short to medium-term, economic policy changes are needed to reduce unemployment, the expected balance of payments deficit and rate of inflation, and to bring about a resumption of economic growth.

These policies have to be so devised as — at the same time — to avoid an excessive increase in consumption and the Government deficit, ensure adequate investment, particularly for export and reduce liquidity.

The facts

The facts show that the country's economy is not in good shape.

Unemployment is unacceptably high; there has been no growth for the past five years, nor can substantial growth be expected for the next year or two; inflation is increasing and at an expected 17 per cent next year is much higher than in the economies of our trading partners; the money supply is rising too fast and the Budget deficit is very large.

The balance of payments, though still manageable, is likely to deteriorate.

The following paragraphs analyse these problems in more detail.

Employment: Registered unemployment is now running between 45,000 and 50,000 people compared with about 4000 in 1975. The actual number of unemployed is, of course, much higher than those registered, but no precise figure will be available until the results of the 1981 Census are published or an adequate household survey is taken.

Apart from the registered unemployed there are more than 20,000 people engaged on various forms of "special work".

In the absence of policy changes, it is unlikely that unemployment will fall significantly in the next year or two.

Growth: After five years of stagnation, there are signs that the economy is beginning to grow again although no substantial increases can be expected for two or three years.

One of the few benefits of the two major oil price shocks has been that our energy resources of coal, gas and hydroelectricity which were too expensive to use fully and effectively in the past are now capable of profitable exploitation.

The choice of energy projects which are to be developed should be based on costs and benefits, rather than on size.

There is no doubt that some of the projects will be large and capital-intensive; others will be smaller and more labour-intensive.

The best prospect for resumed economic growth is to choose those projects which give the highest net benefit to New Zealand.

Prices and income: Consumer prices which are currently rising by about 15 per cent a year are expected to increase to a rate of about 17 per cent by the middle of next year.

A price rise in New Zealand of 17 per cent would be substantially above IMF and OECD forecasts of price changes of about 8 per cent in countries with which we trade. Thus, the New Zealand dollar, under existing arrangements of continually adjusting the exchange rate, will be devalued by, say, 8 per cent or 9 per cent. This in itself will increase import prices, and hence pressure on inflation.

With such high inflationary expectations, demands for larger wages, salary and other incomes can be expected. An effective incomes policy will be essential to deal with these problems.

The balance of payments: The balance of payments deficit in recent years has been comparatively manageable despite adverse terms of trade. However, the outlook is not good and I would estimate that the current account deficit on overseas exchange transactions will increase from the present annual level of $700 million to about $1000 million by the middle of next year.

Perhaps the most serious aspect of the balance of payments situation is the fact that our exchange rate is out of line.

Export incomes are supported through very large tax and other expenditures, such as export incentives of all kinds, farm support prices well above prices being realised overseas and tax deductions for capital and other expenditure.

At the same time, the invisible deficit has risen alarmingly; it is likely to be at least $1800 million for the year ended June 1982 compared with $180 million 10 years ago.

Fiscal and monetary policy: Present fiscal and monetary policies are so expansionary that there is already a rapid rise in property prices and an inflationary surge in consumer spending and importing could occur in 1982/83.

The Budget deficit for 1981/82 could well exceed the estimate of $2090 million which itself is a very high figure.

The outlook for 1982/83 is for an even greater deficit.

The money supply is increasing rapidly and seems likely to grow even faster over the next few months. This will further fuel inflation.

The options

I believe that the policy of *ad hoc* adjustments to events as they occur which has been followed in recent years has failed; nor can it be expected to achieve our economic objectives more effectively in the future.

In principle, there are three ways in which we can handle our difficulties. The first is to adopt the kind of policies being followed in the United Kingdom of reducing demand through very tight monetary and fiscal policies.

In the long run, such a course may succeed, but in the short and medium term it would involve substantial further increases in unemployment. It could also lead to more emigration of the very people we cannot afford to lose.

The second option is to introduce direct controls over all major aspects of the economy. This would involve wage, price, rent and other income controls, capital issues control including control over interest rates, import controls, exchange controls and so on.

This technique, which was successful during and after the Second World War is not likely to work in the 1980s because it involves a degree of interference in personal freedom which would now be unacceptable to most New Zealanders.

The third option would involve broad agreement among representatives of the major sectors of the economy to limit income increases to a level consistent with a more manageable rate of inflation. Such a policy would require Government action in a number of areas and would constitute a major policy package.

The key to success would be to persuade salary, wage and other income-earners that increases in their incomes cannot keep up fully with inflation unless there are major increases in productivity.

To make such a proposition acceptable would require a number of other measures to increase productivity and assist those on lower incomes.

It would, therefore, be necessary to work out a series of policies in consultation with the FOL, CSSO and employers' representatives, including farmers and manufacturers, which would cover all major elements of interest to them.

There would have to be understandings about taxation (including the wage-tax trade-off); about redundancy, about employment policies, about social security benefits, about prices in general and, in particular, about how to deal with price increases resulting from higher import prices and from any change from direct to indirect taxation.

If we are to deal adequately with out balance of payments, it is essential that export incomes remain high enough to bring about increasing exports and that import substitution be encouraged.

The present incentives to farmers and other exporters are so complex that they distort the efficient use of resources.

Moreover, because there is no assurance of their continued availability, they are frequently not taken into account by entrepreneurs in deciding whether to increase investment for exports.

In addition, we are being subjected to increasing criticism from our trading partners about our exports subsidies to the point where retaliatory action is likely to be taken in the foreseeable future.

A much better method of encouraging exports and import substitution would be to phase out most of these incentives over a period and substitute a realistic exchange rate. This would involve a devaluation which I estimate to be of the order of 10 per cent to 15 per cent.

(This would be in addition to the current flexible exchange rate policy in terms of which the New Zealand dollar is devalued continually to the extent that our costs move faster than those of our trading partners.)

Such a devaluation should not be undertaken until the Government is satisfied "that is will stick" — that is, until the Government is satisfied that cost, wage and price increases in New Zealand will not take place so quickly as to eliminate its benefit.

Another important element of the package would be to work out with manufacturers and others concerned a long-term strategy of industrial development which would indicate the kind of protection level which efficient industries could expect.

In general, import protection should be on a less discriminating and more moderate basis with emphasis on tariffs rather than licensing. A good deal of progress has already been made in this area.

Related to it and part of it is the development of CER (closer economic relations) with Australia.

Finally, it needs to be stressed that no strategy can succeed without effective fiscal and monetary policies which should complement each other. The increase in the money supply would have to be brought under control and the Budget deficit should not be allowed to increase further.

Conclusion

In my view, the best solution to our economic difficulties is through indicative planning. This involves broad agreement with representatives of all the major sectors of the economy about incomes of all kinds, about taxation and benefits, about employment and growth, about exchange rates and protection, supported by effective monetary and fiscal policies.

Such a policy package is complex and difficult, but it offers the best chance of returning New Zealand to full employment, growth, reasonable stability and a manageable balance of payments.

National Business Review . . . respected, but unloved around the nation's boardroom tables.

Liquor industry

Corbans out of step — institute

THE opposition expressed by Corbans Wines Ltd to export certification provisions in the Winemakers Bill isolated Corbans from the rest of the wine industry, Wine Institute chairman Tom McDonald said last week.

"Frankly, I am surprised and disappointed that a company like Corbans, which has made such a contribution to our export development, should be trying to prevent the introduction of a system designed to protect the reputation of New Zealand wine in overseas markets," McDonald said.

He refuted suggestions that Corbans had not been given an opportunity to express its opinion on the matter (*NBR*, October 5).

"Corbans, along with every other of the 114 members of the institute, was invited to offer comments for incorporation in the industry submissions made to the Statutes Revision Committee by the institute," McDonald said.

"Corbans had the right to go direct to the committee if they so wished, but it is entirely wrong to suggest that they did not have an opportunity to advise the institute of their views.

Comments had been received from some institute members on other aspects of the Winemakers Bill. These had been incorporated in the institute's submissions, "but there was not a single objection to the export certification clauses," McDonald said.

"It looks as if Corbans want it both ways," he said.

"In one breath, according to *NBR*, they talk about the need for quality in our export wines, and we have no argument with that. Then, in the next breath, they complain that the export certification scheme will inferfere unjustly with supply and demand forces, and will ignore the commercial rights of willing buyers and sellers. The two approaches are incompatible."

Apart from Corbans, the whole industry, "fully supports the Government's proposals to introduce an effective and practicable scheme to ensure that our future wine export development programme is based on high product quality," McDonald said.

The country's wine would "find a profitable place in international markets only if we can establish a reputation for high quality and the unique character which is the result of our cool climate growing environment," he said.

McDonald dismissed complaints by Corbans that the institute was not the appropriate body to nominate the proposed review panel which will serve as an appeal body to reconsider, on a technical basis, wines rejected by either the Health Department or DSIR for faults capable of being defined only by sensory evaluation.

"The institute has some experience in selecting and appointing qualified people both from inside and outside the industry, to serve as judges for the national wine competition," he said. "Those judges have proved to be acceptable arbiters of wine quality for just about everyone.

"I don't foresee any problem in selecting a panel of three expert wine assessors to be available as an appeal body, which we would hope will never be called upon to act," said McDonald.

Corbans voiced its criticism two weeks ago. Institute director Terry Dunleavy indicated he did not wish to comment then on the allegations.

Firm to distill spirits

by Ann Taylor

INDEPENDENT liquor merchant B A Fitzpatrick Ltd is getting into the distilling of gin and vodka. The Rangiora company will use recipes specially developed in England to produce New Zealand's first world-registered brands of home packaged and designed white spirits.

Coachman and Graceys gin and Rebroff vodka will grace the shelves of independent liquor outlets and clubs which will form Fitzpatrick's market.

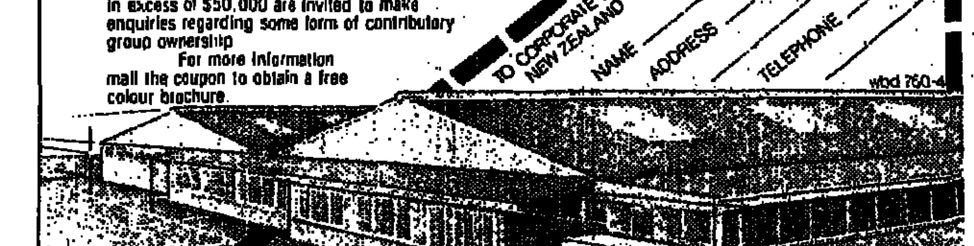
Initially the company will cover the South Island and lower part of the North Island. But managing director of the new company formed, Southern Grain Spirits NZ Ltd, John Fitzpatrick, is confident that the "distinctive local product, handy to Lyttelton will make it on the Australian and Pacific markets.

"We've got a distinct advantage because they are our own products. There have been exports from New Zealand but they get tangled up with other English brands."

The company is intent on staying independent and although it will have to initially buy grain spirit from the New Zealand Distillery Company it will "eventually make its own".

The end of four years negotiations with independent English family company Nicholsons and application here for a licence will see a product on the market which will "have a good competitive margin" on other white spirits.

"We think being smaller and able to increase production rapidly will give us an advantage" in supplying gin and vodka to a market whose palate has, apparently, "got a lot drier."



Stock Exchange weekly review

FOR WEEK FRIDAY OCTOBER 9 TO THURSDAY OCTOBER 15

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	80	--	--	0
6% pr	125	---	---	0
Ajax G K N	415	---	---	0
Alcan, 50c	170	175	170	2800
A H I	275	290	275	34200
Alliance, 50c	145	150	145	27600
12% conv pr	140	140	140	1100
Allflex	160	160	157	26000
Allied Farmers	345	345	340	57100
12% conv pr	370	370	370	500
A M Bisley, 50c	228	228	228	3700
Ampol Pet, 50c	247	---	---	0
A Beaven	138	145	138	6400
11.5% conv pr	130	---	---	6200
16 con pref	132	135	132	2100
Andas Group	160	160	160	5000
5-6.5% pr	40	--	--	0
12% conv pr	132	132	132	500
ANZ Banking Group	340	355	340	7600
A Wright	370	---	---	0
'A' 6-7.5% pr	70	..	..	0
'B' 5-6% pr	60	---	---	0
A Barnett	355	355	355	1100
A Ellis	55	56	50	17500
Ashby Borgh	410	410	410	1350
A B Cables	335	---	---	0
Atlas, 50c	75	78	73	22600
10% conv pr	70	70	70	2500
Auck Gas	272	272	272	67100
Aurora, 50c	242	247	242	7800
10% conv pr	280	---	---	0
14% conv nts	185	185	185	600
A C I	270	---	---	0
Autocrat Sanyo	350	350	330	2500
Baille, 50c	75	75	75	200
Ballins, 50c	123	123	123	41900
11% conv pr	113	113	113	2500
Bank NSW	540	540	540	300
Beach Petr, 50c	445	---	---	0
Bendons,	178	185	178	31200
Bing Harris, 50c	97	105	95	19200
B N Z Finance	400	400	400	350
Bridgevale Mining	100	105	100	16400
Brierley, 50c	470	495	465	101750
16.75% spec pr	105	---	---	0
Bos, 50c	90	90	90	7600
B H P, 200c	1980	1980	1980	1000
Brother, 50c	100	---	---	0
Bunting, 50c	220	225	220	3700
C P D	308	315	308	18700
10% conv pr	380	---	---	0
C F M	365	365	365	9500
12% conv pr	230	230	220	700
Cant Flour	220	---	---	0
Cant Timber	450	450	445	10850
12% conv deb	450	450	400	37100
Capital Radio, 25c	115	---	---	0
Capital Life, 50c	95	..	..	0
Carbonic Ice	275	275	275	600
Carter Holt	385	390	385	5800
CBA Finance, 50c	325	335	320	7400
CCL	250	265	250	5800
Ceramco	245	250	245	16300
12% conv pr	170	---	---	0
16% red spec pr	400	---	---	0
Chenery	310	315	310	2500
Ch'ch Gas	300	---	---	0
Ch'ch Press	400	---	---	0
City Realties, 10c	50	55	50	8100
Clyde Group	115	120	115	2500
12% conv pr	120	---	---	0
Collingwood, 50c	55	55	55	400
13% conv pr	50	50	50	200
Col Motor	330	330	325	9100
Colyer Watson	105	108	105	2500
Comalco, 50c	235	250	235	1700
Command	220	225	230	4300
Con Metal, 50c	173	---	---	0
conv pr	200	200	200	200
Con Minerals, 4c	17	17	16	109000
Cooks Wine	115	118	110	7300
Cory-Wright	195	200	193	2800
12% conv pr	225	---	---	0
16.25% conv pr	200	---	---	0
Crown Consolidated	220	235	220	10700
11% conv pr	220	---	---	0
C S R	775	---	---	0
Cue Energy	17	19	17	26500
Options	8	8	8	181000
Dalgety (NZ)	280	285	280	2100
Dalhoff & King, 50c	60	65	60	5400
Deanes	175	175	170	137701
D I C	220	225	220	8700
12% conv pr	167	167	167	2300
Dingwall & Paulger	295	295	295	1500
D McI Wallace, 50c	95	97	95	6700
12% conv nts	75	75	75	500
11% nts '82	103	103	103	400
Dom Brew, 50c	110	114	110	21600
5% pref	60	--	--	0
11% conv pr	77	77	77	5900
Donaghy's	163	165	163	1800
12% conv pr	170	---	---	0
D R G, 50c	108	110	105	3700
Dunlop (NZ)	360	360	360	600
4.5% pr	55	---	---	0
Ebbett	150	---	---	0
Ebos, 50c	132	132	130	2800
E Lichtenstein, 50c	395	395	395	600
Emperor Mines, 10c	178	---	---	0
Endeavour	170	175	170	3800
E Adams	230	---	---	0
Europa pref nt	92	--	--	0
F T C, 50c	130	140	130	21100
11% conv pr	107	107	107	1100
F Waimak, 50c	85	85	85	300
Feltex, 50c	178	180	175	77600
5% pr	177	177	177	400
16% pr	178	178	178	7000
Firestone NZ	132	133	132	3300
Fisher & Paykel	320	330	310	42300
Fletcher-Challenge	220	228	218	164500
15% conv pr	100	103	100	4800
16% conv pr	395	---	---	0
Fountain Corp	86	95	86	700
Foveaux Radio	100	100	100	200
Freightways, 50c	190	196	190	10100
10% conv pr	147	---	---	0
Gear Meat	68	69	68	4000
11.5% conv pr	65	65	65	200
G Court	185	185	185	600
G J Coles, 50c	400	---	---	0
Golden Bay, 50c	87	88	87	24900
Goodman Group	226	240	225	36000
14% conv pr	230	235	230	500
Grosvenor Props	90	90	90	2400

	Last sale	Week's high	Week's low	Turnover
Hallenstein	265	265	260	5100
Hauraki Enterprises, 25c	130	130	130	800
Hawkins, 50c	113	114	113	6400
6.5% pr	28	---	---	0
H B Farmers	259	260	259	6400
13% conv pr	175	---	---	0
Healing	180	182	180	13300
12% conv pr	200	200	200	100
H Pollard	250	250	250	10100
10% conv pr	400	---	---	0
Henry Berry, 50c	200	200	200	3400
Holeproof	245	245	245	3300
Hume Industries	188	188	188	500
5-7.5% pt pr	41	41	41	1000
I C I (NZ)	205	205	200	4600
Ind Broadcasting	90	90	90	200
Independent News	190	190	185	2300
Ind Chem, 50c	220	220	220	400
I Watkins-Dow, 50c	210	210	210	55000
J Hardy Impey,	245	245	240	42500
James Smith, 50c	95	97	95	700
14% conv pr	60	--	--	0
12% conv pr	54	--	--	0
J Burns	95	100	95	14800
14% conv pr	215	---	---	0
John Edmond	230	230	230	500
J Webster, 50c	85	85	82	4600
12% conv pr	65	--	--	0
J Nathan	145	145	145	700
J Rattray	250	250	250	1000
12.5% conv pr	210	---	---	0
L W Rudkin, 25c	95	106	95	35800
12% conv pr	135	---	---	0
Lanes, 50c	120	135	112	4100
L D Nathan	228	230	220	13800
9.5% conv debs	227	---	---	0
15.5% conv pr,90	208	215	208	2200
Leyland, 50c	170	---	---	0
Lion, 50c	157	158	156	123200
10% conv pr	166	166	165	1200
12% conv pr	132	132	130	3000
L & M Oil, 50c	33	34	33	12100
Lusteroid	240	240	240	1800
Mainzeal Corp, 50c	220	---	---	0
15% conv pr	120	---	---	0
Mair, 50c	310	310	310	1300
11% conv pr	350	---	---	0
Manawatu Knit, 50c	110	---	---	0
Manawatu Radio	110	112	110	3300
Manthel	245	245	245	400
Marac	180	183	180	13000
McAlpine, 50c	132	135	132	1100
McKechnie	230	---	---	0
Midland	220	---	---	0
11% conv pr	200	---	---	0
Min Resources, 20c	72	75	69	65400
M O'Brien, 50c	65	65	65	3900
12% conv pr	60	60	60	200
15 conv pr	52	52	52	400
Montana, 50c	150	150	148	10400
M-P I M	218	218	215	2200
Motor Holds, 50c	160	168	160	10000
Motor Trad, 50c	95	..	..	0
5-6% pr	62	..	..	0
11.5% conv pr	62	..	..	0
MSI Corpn, 50c	85	87	85	33300
12% conv pr	85	85	85	1200
Mt Cook	200	205	200	3900
conv pr	180	175	175	700
M I M Holds, 50c	776	---	---	0
Nat Insurance, 50c	277	290	277	12800
Naylor	145	---	---	0
5% pr	30	..	..	0
Neil Holdings, 50c	85	88	85	32300
N Z Cement	147	150	145	14400
N Z F C, 50c	140	150	140	8800
11% conv pr	140	---	---	0
N Z Farm Fert	205	205	205	1200
12% conv pr	200	200	200	200
14% conv pr	172	172	170	1800
N Z F P	323	332	323	39000
N Z I G	418	---	---	0
NZI 10% conv pr	235	240	235	3900
N Z Light Leathers	50	50	50	500
N Z Motor Bodies	80	80	80	3700
N Z M C	180	180	180	7300
N Z News	235	235	230	1500
N Z O G	37	39	37	57600
N Z Petrol, 50c	220	250	220	1900
N Z Refining	140	140	140	16300
NZSB	80	84	80	813000
N Z Steel	203	207	200	9400
N Z United	580	580	580	5500
Nuhaka	200	200	200	400
Odlins, 50c	91	94	91	316800
'A' 6% pr	20	--	--	0
12.5% conv pr	63	65	62	21000
'B' 13% conv pr	69	70	69	2500
15% con notes	111	114	110	219200
Optical	80	--	--	0
12% conv pr	50	--	--	0
Otago Press & Prod	180	180	180	1100
Pavroc Holdings	240	---	---	0
P D L Holds, 50c	315	315	312	7400
Perm Invest	95	95	95	3000
Printing & Packaging	198	200	197	5200
11.5% conv pr	180	180	180	100
Progressive	162	167	162	16300
12% conv pr	400	400	400	500
Prop Securities, 50c	246	246	235	212400
Prud Building	120	---	---	0
Quill Humphries, 50c	110	110	110	200
12% conv pr	110	---	---	0
Radio Avon, 25c	130	---	---	0
Radio Otago	100	---	---	0
Regina	160	---	---	0
R & W Hellaby	100	102	100	31200
Reid Farmers	410	410	410	1000
Repco (NZ), 50c	73	75	73	4800
Revertex	325	---	---	0
Rex Consol	300	320	295	3600
15% conv pr	160	160	160	400
Rheem, 50c	150	155	150	4000
Rothmans, 50c	160	160	160	10700
R W Saunders	320	---	---	0
Salmond	235	---	---	0
Sanford	370	370	365	3600
pr	366	---	---	0
12% conv pr	348	---	---	0
12% 'B' conv pr	150	150	150	100
Schofield	210	210	210	600
Scott, 50c	98	98	98	177300
12.5% conv pr	90	90	90	1100
Selby	285	---	---	0
Skellerup, 50c	330	330	330	3000
5-7.5% pr	40	---	---	0

	Last sale	Week's high	Week's low	Turnover
Smith Biolab, 50c	145	148	145	4600
12% conv pr	175	---	---	0
Smiths C M	172	172	172	300
Sthn Cross Hotel	220	220	220	1600
Sthn Cross Mins, 20c	35	38	35	12000
S F M	285	285	285	9300
Spedding, 50c	78	78	75	2300
12% conv pr	78	78	78	200
Steel & Tube, 50c	128	130	125	10400
Suckling	165	165	165	1000
Taylors	145	---	---	0
12% conv pr	175	---	---	0
Teltherm	160	160	160	3700
12% conv pr	145	---	---	0
T J Edmonds	280	280	280	700
Tolley	185	185	185	23400
Tourist Corp of Fiji	40	--	--	0
Trans Ashburton, 50c	62	--	--	0
TNL Group, 50c	119	120	116	29500
10% conv pr	95	95	95	1100
12% conv pr	108	108	108	500
Trans (Nth Cant)	142	---	---	0
13.5% conv pr	115	---	---	0
16% conv pr	115	---	---	0
U E B, 50c	115	118	115	66100
6.5-7.5% pr	120	---	---	0
12% conv pr	109	109	107	7800
15% conv pr	64	65	62	3000
United Bldg	120	120	120	200
United Publishing, 50c	245	---	---	0
Vacation, 50c	88	90	87	17600
12% conv pr	85	--	..	0
12.5% conv pr	75	--	..	0
Visionhire,	125	126	125	32100
Waitaki-NZR	232	235	232	14400
11.5% conv pr	195	195	195	700
Walker & Hall	460	---	---	0
Wattie, 50c	200	208	197	78800
12.5% conv pr	115	115	115	4400
16% conv pr	182	182	175	700
Welgas	415	415	415	420
Westbridge	195	195	195	500
Wilkins & Davies	330	330	325	1600
5.75-7.5% pr	60	--	..	0
W Jeffery	160	160	160	600
12% conv pr	140	---	---	0
Wilson & Horton	415	415	415	500
Wilson Distillers	165	---	---	0
Wilson Neill	97	98	97	21700
12% conv pr	140	140	140	28000
Winstone, 50c	75	76	75	104200
12% conv pr	56	56	56	9000
W'Wths (NZ)	70	70	70	250
Wormald	340	340	340	1500
5-7.5% pr	80	80	80	1300
W Sutherland	110	---	---	0
Yates Corp	400	400	395	14450
12% conv pr	180	---	---	0

Exchange rates

AS at October 15, NZ dollar sells at:

Britain	.4441	Malaysia	1.8646
US	.8243	Netherlands	1.9991
Canada	.8911	New Caledonia and Tahiti	82.86
Australia	.7190	Norway	4.8157
Fiji	.7219	Pakistan	8.0288
France	4.5525	Portugal	52.46
Greece	45.69	Singapore	1.7126
Hong Kong	4.9219	Switzerland	1.5210
India	7.4774	West Germany	1.8169
Ireland	.5154	Western Samoa	.8853

Energy

Smelter still alive and well

by Ann Taylor

THE smelter is still on — at least for purposes of public posturing.

- The National Development Act application still stands;
- The Commission for the Environment last week produced its audit of the project;
- Fletcher's people have been consulting with their remaining partner, CSR, in Australia. They are putting together a package to present to other potential partners which have approached them.

The two remaining partners in the consortium will be concerned to keep the smelter's physical aspects largely intact so they don't have to go through the NDA hoops again. And aluminium technology doesn't differ greatly from one company to another.

The commission has not invited Government criticism by commenting on the project's economics. But it does recommend that the company, after it has "effectively destroyed the communities at Aramoana and Te Ngaru," should develop a manpower plan for the smelter.

"Maximum employment of Dunedin people . . . including women and young people . . . should be the company's recruitment policy."

The number, skills and sources of manpower should be identified and the local educational institutions and Department of Labour should "develop appropriate apprenticeship and skills-training programmes for the smelter workforce."

The audit notes the importance of the fact "that there will be little overlap, in terms of jobs created, between the construction and the operating phases."

The company, the audit suggests, should become involved in the integration of the workforce in Dunedin by establishing a forum to provide information.

A priority would be the housing requirements and to provide "an on-going assessment of social impacts and thus assist the response to changing needs and demands". The public should also be kept informed about the on-going environmental impacts via this forum.

Construction contracts should specify the acceptable noise level and the company should reach agreement with the Historic Places Trust on the archaelogical sights, the audit says.

And the commission says the company should talk with the Otago Harbour Board about where its effluent goes and discharge it outside the harbour. The coastal ecosystem should be monitored and all practicable measures to reduce stress on the salt marsh taken.

Several months ago, Fletcher Challenge managing-director Hugh Fletcher indicated on television's *Newsmakers* that the audit might preclude development if its requirements were too stringent.

There's not much, apart from effluent discharge, that should upset him. He thought then that the commission might require the emissions to be scrubbed twice. It hasn't.

The audit does not address the question of power pricing except to recommend that the Energy Advisory Committee pay particular attention to the environmental implications of the electricity sector plan when it reports on the 1981 *Energy Plan*. (The committee's report on the 1980 plan coincided with the publication of the 1981 plan.)

The power contract price was renegotiated after the proposed Castor 11 mill was dropped and the most accurate estimate of that price, which would have been agreed to had not Alusuisse withdrawn, is 2.2 cents a kilowatt hour, rising to 2.26 cents after five years.

The initial agreement was about 1.3 cents a kilowatt hour, rising to 1.8 cents after five years.

If those costs deterred Alusuisse, the Government may drop the price and erode its rate of return to ensure that a smelter goes up and that the justification for developing the Clutha remains.

Both the Labour and the National parties are committed to the Clutha scheme, but no other proposals to use the electricity have been made public.

Smelter critic and economist Geoff Bertram has just released another analysis of the Energy Ministry electricity division figures. He concludes that "the results are rather straightforward and not very encouraging.

"A 15-year evaluation for the period 1980/81-1994/95 shows an internal rate of return on the supply of electricity to the smelters of less than 2.5 per cent which is not commercially attractive. A 30-year evaluation up to 2009/10 yields a zero internal rate of return.

"The NZED figures appear to show that even after 30 years the smelters will still not have paid off the initial costs of the stations built to supply them, and the rate of return is only marginally positive for the shorter time period."

Treasury estimates the national benefit of projects on a 10 per cent real (above the rate of inflation) return.

South Pacific Aluminium has never agreed. But the actual rate of return and the electricity price in the recent unsigned contract is still secret.

How much that will be eroded when Fletchers finds itself another partner is anybody's guess — but the price will have to come down.

If it falls below the price charged to domestic consumers, the public will be subsidising it.

Economist Ewen McCann makes the point that "if a gigawatt of power can be sold for more than the cost of producing a further gigawatt then there is money to be made from generating more power." If not then there isn't.

Industrial relations

Award settled, but major sticking points still remain

by Ann Taylor

TEN per cent extra pay and four weeks holiday after eight years service looks like a compact settlement after nine days of conciliation. But both metal trades union and employers dropped their major claims to reach settlement.

The union's case for a 35-hour week was steadfastly rejected by employers who sought to put an additional "sanctity" clause in the award. In effect, this would have shelved matters not resolved in conciliation — particularly the 35-hour week — for a year and limited secondary bargaining of in-house agreements in big Auckland shops like Alcan, NZ Steel and AHI.

In Auckland, particularly, the gap between the award and ruling rates — reached between individual companies and their workers — is 12-13 per cent.

The two-tier system between the award and shop agreements operated for years but chief employers' advocate Peter Carroll said "the situation has become more critical as the demands of secondary bargaining become worse."

Carroll claimed there was "a gang of organisers whose main business is direct bargaining in companies; to them the award does not mean anything."

If wages, holidays and hours were not settled in the national award, there "was no benefit to employers from the award. The award used to have a stabilising effect, but no more."

The metal trades is the first award covering engineers in this wage round. It covers all workers employed in metal trades from blacksmiths, fitters and turners, gunsmiths to lathe operators and workers assembling machinery.

Awards covering factory engineers, coach builders, industrial mechanics and others follow on from the metal trades.

Carroll's concern was that the unions would settle the national award, then take their claims for a 35-hour week into the in-house negotiating arena. This threat, he argued, gave the award little meaning or worth for employers.

Carroll said that during the two-week adjournment from conciliation, union organisers had been informing companies "that the national award is a waste of time and they were going for the jugular.

"Employers believe that the national award is the best way to settle but not when what we decide here is only the platform for other demands."

Carroll later acknowledged that the "sanctity" clause was "impossible, at least improbable", but he was pleased to have the issue discussed and the real meaning of the award given an airing.

Carroll will meet Auckland Engineers Union secretary Jim Butterworth soon to discuss an Auckland regional rate.

But "if we make a ruling rate agreement, it will affect shops that aren't involved in secondary bargaining," said Carroll.

Butterworth argued against the sanctity clause on the grounds that the "award is the lowest common denominator. A sanctity clause would be okay if this was a ruling rate document . . . in many areas it is not."

The engineers campaign for a 35-hour week has been centred in Auckland, and it is considered unlikely their efforts will now be restricted to the combined union approach to the oil companies award — the next negotiations on the 35-hour week hit list.

Engineers Union national secretary Ernie Ball said during the conciliation talks he would like "to know what the employers' ploy on the sanctity clause it. If this conciliation breaks down it may satisfy the few Auckland assessors that are concerned about the two-tier system, but the vast majority of employers won't have an agreement to go back to."

Ball reacted sourly to the employers' sanctity clause (which unionists dubbed a "good boy' clause).

"It's not been forced on other unions. It implies that this union must be held up in pretty great disregard by employers . . . to my knowledge nobody in this round has had to endure 'good boy' discrediting.

"This group of employers is hell-bent on destroying this type of conciliation. They want to split the union and the large percentage of membership that only benefits by the annual award so that employers won't have to bother with unions.

"They want one basis of negotiation or the other. We have both and intend retaining them. It's a traditional thing and not exclusive to the engineers.

"We are prepared to look at a type of regional ruling rate in Auckland. We do not believe these (direct bargaining) negotiations should be destroyed. If they are it would create the industrial turmoil the employers want.

"That unrest won't stop with our people because of the flow-on effect it has," he threatened.

Ball pointed to the importance of the engineers union and the effect of the award.

"We are the only group that have gone out trying to do something about unemployment. The 35-hour week could do something," he said, backed by a team of assessors sporting an array of 35-hour week buttons and stickers.

He rejected the employers "sanctity" clause — "we couldn't put our name to a document that we couldn't see being carried out.

"There is great benefit in our doing the two-tier system.

"It's only harder work for union officials," he said, but the system was not created by union officials; "it comes from the shop floor."

In the great majority of cases, the shop floor accepted what came out of conciliation, Ball said.

Sharemarket

Analysing annual accounts: Scott Group

by Klaus Sorensen

THE Scott Group Ltd seems fond of keeping little secrets.

The Wellington-based building supplier and hardware group gets a regular auditor's tag for not disclosing its sales, and shareholders are still in the dark about the mysterious dumping of a Scott Group director from the board a couple of years ago.

The latest annual report for the June 30 1981 year is no exception; sales are still not disclosed, the profit and loss account does not disclose such operating expenses as wages and salaries, and the auditor's tag is there as usual.

Yet the chairman's review for the year is comprehensive and provides information and views many other companies shy away from.

One of the most significant is the reference by chairman David Scott to the company's share price.

For some reason it seems to be an almost taboo subject for most company chairmen.

The share price is probably the single most important consideration for any shareholder — yet most companies never mention the share price in the annual report.

Scott says "it has been one of our strategies to build the market price of our shares much closer to the asset backing so that they can be used as consideration for acquisitions without our existing shareholders suffering too much dilution.

"Considerable progress towards this objective has been achieved during the year and you will note that a small placement of shares was made as part of the consideration for the purchase of Spincraft Ltd."

But it seems a bit of a contradiction that Scott directors are trying to boost their share price — to take advantage of the market premium in acquisitions — but they refuse to disclose certain operating details which are essential to any investor considering buying the company's shares.

It seems generally accepted that disclosure is the shortest route to an increased investment appeal, or ranking — assuming the news disclosed is good, of course.

Still, there was nothing wrong with Scott's 44 per cent profit increase to $1 million for the year, or with the increase in dividend form 14 per cent to 17 per cent.

Scott discloses sales increased 18.5 per cent, though it doesn't give a dollar figure, and the profit and loss account shows the company won the battle against rising operating costs with a 22 per cent increase in trading and manufacturing income, and a lesser 15.8 per cent increase in operating expenses.

Trading and manufacturing income was up from $5.2 million to $6.4 million, and in addition capital gains were up from $21,000 to $68,000 with income from other investment up from $38,000 to $69,000.

Total operating expenses were up from $4.1 million to $4.8 million comprising mainly administrative, selling and other costs of $3.8 million — up 13.8 per cent from $3.4 million.

Within operating expenses, lease and rent costs were up 30 per cent from $179,000 to $233,000, interest paid on debentures and fixed loans was up 19.3 per cent from $235,000 to $280,000 and "other interest" was up from $56,000 to $136,000.

The resulting net profit before tax was up 50 per cent from $1.1 million to $1.7 million, but tax was up 61 per cent leaving the net profit to improve by the slightly lower 44 per cent.

Scott notes that the net profit was four per cent ahead of the budget "we had set ourselves."

But while the result for the year should be regarded as "highly satisfactory," according to Scott "there were a few areas of disappointment.

"In particular the encouraging growth rate we have experienced for several years with our export marketing suffered a check, and recorded sales were only marginally ahead of last year.

"Vigorous steps have been taken to identify the reasons for this and to make the changes necessary to meet the demands of this valuable market sector."

Scott notes that the loss of export momentum reduced the incentive write-off against pretax earnings.

"Unfortunately the tax benefits arising from export sales have had a slightly less favourable effect on our taxpaid profit this year than they did last year."

But the real action for Scott Group occurred on the diversification front, with four different acquisitions in rapid succession.

At last year's annual meeting Scott told shareholders there was a need for some form of diversification to place the company on a broader base.

The first move was the purchase from Fletcher Challenge of a 27.5 per cent interest in Dalhoff and King Holdings Ltd (whose managing director Ken King has been a director of Scott for some time).

According to Scott, this move meant breaking new ground for the company. "Never before have we 'taken a position' in another company, but we have done so believing that the future is bright for the supply of capital equipment to the growth areas of pastoral activity, energy development and forestry."

Next came the purchase of Spincraft Ltd, for cash and the issue of 500,000 shares, which is a kitchen "holloware" (pots and pans) manufacturer.

Scott also purchased the timber and hardware divisions of Hastings company H H Campbell and Sons, and then the hardware division of Lincoln Industries Ltd.

The net effect has been a $4 million increase in the company's net assets as well as increases in borrowings and shareholders funds.

The largest purchase, that of Dalhoff and King, was paid in cash and during the year the company made a private $1 million debenture placement.

The Spincraft purchase resulted in a sizeable increase in fixed assets, due to the company's major investment in plant and machinery.

Total fixed assets were up from $2.8 million to $3.1 million including plant and machinery up from $274,000 to $728,000. Investments were up from $405,000 to $1.6 million with the inclusion of the Dalhoff and King stake.

Current assets grew, from $7.6 million to $10.2 million, following an increase in trade debtors, from $3.3 million to $4 million, and an increase in stocks, from $4.1 million to $5.8 million.

The current portion of liabilities are up, from $3.5 million to $5.5 million, including creditors and accrued charges up from $1.8 million to $2.6 million, unsecured advances up from $384,000 to $649,000 and debentures up from $40,000 to $525,000.

Term liabilities are up from $1.2 million to $2.2 million with the inclusion of the debentures issued privately during the year.

Issued capital rose from $2.5 million to $2.8 million and total shareholders funds were up from $6 million to $7.1 million.

Total tangible assets rose from $10.8 million to $14.9 million, and the ratio of shareholders funds to total assets fell from 56 per cent to 48 per cent, according to Scott as the company "used its borrowing strength to fund its purchases."

The ratio of current assets to current liabilities eased from 2.18 to one to 1.83 to one, but Scott notes in his review that "the group has adequate credit lines available to provide for contingency situations and the lowering of this ratio simply means that the group is making its money strength work better than it has during the past few years," which probably also roughly translates to mean shareholders need have no immediate fear of a cash issue.

But Scott's comments in his "general outlook" section on the effect of the new acquisitions on profits are relatively vague.

He does not anticipate any "significant general improvement in our economic climate during the coming year" and says the strategy for this year will be to "digest our recent acquisitions and integrate them into the group while aiming to maintain our established activities on a basis that will improve profits by at least the rate of inflation.

Since the June 30, 1981 results included only three months trading by Spincraft, and did not take any equity earnings from Dalhoff into account, shareholders will have difficulty assessing what sort of effect these two major acquisitions will have on profits.

Even if it is only an educated guess, the directors might consider giving shareholders some idea what the added contribution from these sources will be, since it could be considerable.

Special feature

Collapse of 'Think Big' — 'gnomes' thought again

by Anthony Sage

WITH the election almost upon them, National parliamentarians must have felt naked and exposed during the week which ushered in October. The impeccably inept timing of the conclusion of arrangements for the peppercorn-interest loan to the unwise Minister's daughter and son-in-law was something they could have done without.

But that was good news compared with the succession of announcements which brought "Think Big", "Think Growth", down around their ears.

When they needed him most, their leader was out of the country again, in the toils of his current obsession, embarrassing even the Australians as he button-holed other CHOGs to explain to them what they had meant by the ambiguities he had written into Gleneagles.

The headless chicken syndrome was too strong, their leader was too close and time was too short for another attempt at a palace coup. But all is not lost. Even with their credibility in tatters the Muldoons of this world never give up and no doubt the Great Illusionist will be able to stoke up a few other issues and rally the troops for a bold stand in November.

By introducing a note of reality into the financial projections for the various "Think Big" projects, the Zurich and Wall Street number-crunchers have done New Zealand a great service.

Alusuisse flagged away the enormous subsidy built into the electricity price for the Aramoana smelter. Why?

The oil companies have long had a cost-plus deal in New Zealand and it was only fair to oblige the Government by beginning the expansion of Marsden Point before the plans had been drawn and costed. Why do they hesitate?

Likewise Mobil and the synthetic petrol plant and the hesitation over extensions at Glenbrook?

The answers to these questions all lie in the Alice-In-Wonderland quality of our economic decision-making — the substitution of executive *fiat* and public service planning for market forces. "We have energy — let there be industry".

That is the way they do it in Russia and its Eastern European satellites. Our self-imposed handicaps and the results are identical with theirs.

The ratio of cost to benefit is at worst irrelevant or at best incapable of determination by politicians and public servants out of their depth in the real world of trade.

Even with the taxpayer picking up the greatest part of the capital cost in the provision of the power stations and the other services, for a derisory return on investment, the financial feasibility of Aramoana for Alusuisse, which has to market the finished product on the other side of the world, just does not stack up.

There has to be a limit to the capacity even of the New Zealand market to accept cost-plus pricing for refined petroleum products. Given the total inability of any contractor to control costs on an engineering project in the form of hyper-inflation, anarchic unions and the unwillingness of Government to do anything about either, it is not surprising that the oil companies in the Marsden Point refinery consortium should have second thoughts.

The synthetic petrol venture is not remotely viable commercially, except perhaps in a siege economy such as that of South Africa. Given the minimum of technical problems in getting the plant operating to rated capacity, and even if it were built by efficient labour from outside New Zealand, we will still have the most expensive petrol in real terms in the Western world.

To Mobil, its significance is that of a marginal R and D project. If Wellington wants it so badly, it is entirely reasonable that Mobil should hold out for a completely no-risk deal and adequate return on investment.

If pure economic logic prevailed, the extensions to Glenbrook would not proceed, either. This is an area where our planners do, in fact, have some experience and their preference for the greener grass over the fence in Taranaki is understandable.

New Zealand Steel's engineers have developed some very clever technology to expedite the conversion of titanomagnetite to steel billets — and all credit to them. But it is nothing like enough to make a New Zealand steel industry internationally competitive.

Iron-sand as a charge is still not in the hunt with ore and the local labour is impossible to handle. There is an excess of steel-making capacity in every developed country in the world and the Australians can be expected to protect BHP whose steel-making operations have been in loss for some time, as vigorously as they protect all their other industries and as we protect ours.

New Zealand is a tiny country, more remote than any other from world population centres and entirely lacking the potential to become the Re[illegible] of the South Pacific.

The expectations of our labour are too high and we do not have the markets.

We live by our farming and associated industries; much of the rest is frippery.

Since 1935 the basic industries have had to carry on their backs steadily increasing impedimenta in the form of an out-of-hand bureaucracy and an industrial manufacturing hot-house of ludicrously pretentious proportions which has spawned a totally undisciplined, insatiably greedy trade union organisation with a penchant for blackmail.

As evidenced by the experience of contractors on projects as diverse as the Tasman Mill extensions, Glenbrook Steel Mill, Huntly Power Station, Bank of New Zealand, Mangere Bridge and Marsden Point Refinery and Power Station, by the casualties among local and foreign contractors and the disengagement from New Zealand of almost all of the foreign ones, New Zealand is a contractors' graveyard.

For the owners of engineering projects in New Zealand their contracts are totally open-ended financial commitments.

The same attitudes that broke all the great industries of Britain — steel, ship-building, motor vehicle manufacturing, cotton and woollen-milling and aircraft construction — are in full flower in New Zealand and, in fact, brought to bear by some of the same people.

Big money is well informed and the risks are just too great for Zurich and Wall Street.

From our own point of view, "Think Big" is the straw to break the camel's back. It is every bit as simple as that.

Special feature

and gave us reprieve for massive rethink NZ needs

The miseries of the Depression of the 1930s sparked the welfare state and World War II ensured its foundation went unremarked.

It was part and parcel of the euphoria of the post-war years and when the bills began to come in, they went unnoticed during the heedless prosperity of the Holyoake years. By the time of the first oil shock the economy was so debilitated we were unable to absorb it and have been living on credit ever since.

Times and social mores change, but a few basic economic truths remain. Among them are the facts that borrowing is no substitute for productivity and that bankruptcy results from a prolonged excess of expenditure over income.

The Prime Minister would have us believe that the economic indicators for growth and for inflation are set fair, that the internal deficit is positively beneficial and the external deficit, although projected to escalate significantly, completely respectable; in short, that everything is under control in accordance with his grand design.

It may be that circumstances accord with his plans, that he is the master of events and not, as appears, their pawn. Whatever, the sad fact is that during his stewardship we have come to the brink of disaster.

In November 1975, sufficient of the people of New Zealand were prepared to follow him over hot coals to ensure a reversal of the country's unhealthy direction during the preceding 40 years. That the promises were only that and nothing more, and the vision and illusion is history now.

That he is the true heir to the mantle of Walter Nash is proven by his contributions to welfarism and his losing bets on the superiority of his own economic wisdom to market forces. Bill Sutch is dead; long live his ghost!

Too many people in the country are paid to do nothing or to mind other people's business, too many to produce goods and services obtainable at a fraction of local real cost from other countries. Too few are employed in any sort of productive effort and too few in areas where their product is economically produced, that is internationally competitive.

Government expenditure is so far in excess of even the confiscatory levels of all forms of taxation that the insidious extra tax of inflation is now a deliberate element of Government policy.

The prospect of growth and increased employment in this climate is therefore a nonsense. Inflation is off on a real burn and the only significance of the Prime Minister's repeated claim that the external deficit, as a percentage of GNP, is less now than in 1975 is the degree of inflation since then.

Certainly the annual borrowings in hard currencies have declined in real terms since the disaster of 1975 but the decline, when current borrowings are expressed as a percentage of burgeoning New Zealand dollars-of-the-day GNP, is more apparent than real.

The frenetic purchase of overseas currency with a plethora of subsidies from tax dollars is self-defeating. So great a proportion of resources goes into producing that marginal export income that total productivity is reduced by the further grotesque distortions of the economy.

Make no mistake. Our position is that of a gigantic Mosgiel before the fall. Rolls-Royce, Penn Central, Lockheed and Chrysler come to mind, too. Once-proud New Zealand on its present course is destined to become a Peru or a Poland and we must be close to the point of no return.

The collapse of "Think Big" could, however, be a watershed in New Zealand's history. In medicine the only cure for gangrene is amputation and the analogy is clear. Regretfully, though, prolonged welfarism induces a malaise of the soul, a sapping of the spirit of independence, of the capacity for self-help and the ability to make the hard decisions. Dependence on the state induces a moral lethargy, a disinclination to be weaned.

It would be an exciting road back, however, if we elected to take it.

"Restructuring" enjoyed a vogue as a catch-word for a year or two and although it was not implemented as a policy we all, most of all the Manufacturers' Federation knew what it meant. Laurie Stevens is still stumping the country for the Manufacturers inveighing against it but it is a *sine qua non* to arresting our decline to Third World status.

Although commercial casualties would be inevitable in a more market situation it has taken us 46 years to get into our present mess and if we took 20 to climb out the horrors of withdrawal could be largely avoided.

Certainly the massive unemployment associated with a cold turkey approach has to be avoided and in fact a sensible programme permitting market forces to re-assert themselves could result in the employment of many in the present pool of unemployables.

The pendulum has gone too far in the direction of protection and our survival economically and as a self-respecting nation requires that we induce a swing in the other direction.

A quick fix for some of our problems, although advocated less often with confidence in its efficacy *per se*, is a massive devaluation. For devaluation, whether of the creeping peg or of the one-off variety to be effective, it is elementary that it be accompanied by every possible measure to reduce inflation.

Price-fixing and wage controls are a waste of time. A paramount necessity is dilution of the capacity of organised labour to hold the community to ransom.

Legislation, draconian and otherwise attempting to prescribe penalties on unions for anti-social behaviour, has been tried in New Zealand and Australia and has failed. Even the milk-and-water bill now before the House is just electioneering stuff and will suffer the same fate. As in so many other areas all that is needed is a selective programme of repeal and amendment of existing legislation.

Colin Patterson and his Securities Commission, the New Zealand Society of Accountants, and the commercial affairs division of the Justice Department split hairs to the Nth degree on company law, accounting principles and financial practice.

Certainly unsophisticated investors and their money have been easily parted in commercial fiascos like JBL and Securitibank but do they account for a fraction of the damage to our society that organised labour does behind the barrier of privilege which our industrial legislation provides?

Jobs for life for all on the payroll of the state and the public/private sector hybrids; loss of the employer's right to hire and fire; feather-bedding in all industrial enterprises, on the wharves, in the ships and the airline. They all mean economic waste and hinder the constant changes in deployment of resources so necessary to the health of an industrial society.

What greater social cancer than the mounting pool of unemployed school-leavers denied jobs because of the embargo on realistic wages?

Too many drones carried by the workers, too many make-work enterprises carried by efficient ones, too much unearned privilege for organsied labour, too much legislation, planning, licensing and other Government patronage.

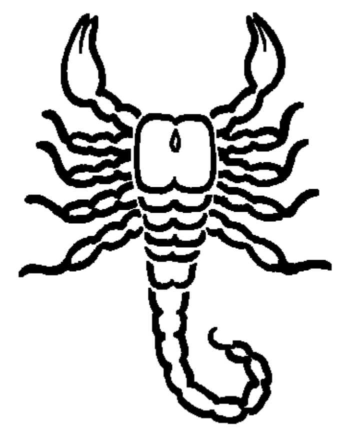
Hugh Fletcher will be back for even more, but perhaps with the election over the necessity for such expensive grand-standing by Government with our money will not seem so pressing.

Perhaps, too, the facts of the excess steel-making capacity all over the world and of the entrenched position of BHP in the Australian market will have sunk in in Wellington.

Someone else could conceivably be the guinea-pig for Mobil's synthetic petrol. It is too much to hope, however, that any Government would have the courage to let the other Taranaki and Marsden Point jobs be done by overseas contractors with their own labour bringing in as they would have to all their own materials, equipment, accommodation, electrical power generators and food and water.

Our situation desperately demands some house-cleaning. The people are still capable of it. Are the politicians?

Anthony Sage is an Auckland chartered accountant.



TV news: now for something incompletely different

by Warren Mayne

AND now, for something completely different. Or maybe we've seen it all before — at various times.

Television New Zealand's major reshuffle of its news and current affairs schedule on both channels next year will not be as revolutionary as sales and marketing staff are sure to claim. It's merely a series of piecemeal admissions of defeat and a reversion to ideas from the past.

Under TVNZ's latest grand plan, every bulletin, national and regional, will be canned except the proven ratings winner, the 6.30 news on Network One.

Exit *Two on Six*, the 6pm pseudo-newscast which emerged after six months of battling with the broadcasting staff unions as part of a marketing scenario that demanded restoration of a full-scale early-evening bulletin for Two. The aim was to grab a big enough audience which would resist the temptation to switch to One at 6.30pm and stay there all night.

(TVNZ's *raison d'etre*, after all, is to achieve an average 50-50 split of viewers and thus force a 20 per cent overall increase in advertising bookings, something the lopsided TV1-SPTV system couldn't achieve.)

Exit No 2: The half-hour regional magazines each night, based on all four main centres. This was the aspect of the last TVNZ restructuring which Broadcasting Corporation chairman Ian Cross commended to the public.

TV under the competitive system had drifted away from regional breakouts into two rival fully national networks. Emphasising decentralisation, Cross predicted that the move back to regionalism would be TV's great achievement of the decade and would throw up the "stars" of the 1980s.

Well, regionalism made it almost through to 1982.

Exit No 3: Network Two's *News at Ten* (for the second time). Launched by SPTV in 1975 as the first attempt at a late-night major TV newscast, this programme was canned at the end of 1976. It was revived in 1978.

Exit No 4: *Eyewitness*, the twice-weekly SPTV current affairs show which outlasted pre-TVNZ rivals such as *Dateline Monday*.

The 1982 scheme envisages two major aggregations of news and current affairs nightly, one on each network.

The 6.30 newscast, whose six editions invariably all end up in the top 10 or top 15 most popular programmes of the week, as measured in BCNZ and McNair weekly ratings surveys, will be padded out to a full hour.

But incorporated in the package will be a brief regional breakout for the topical local news from each of the four main centres — probably about the same 6.55 pm slot in which TV1 for five years did exactly the same, before an insistence on fullblown regional "personality" programmes became a prime justification for restructuring.

The folksy regional magazine items will not die — the second half of the news programme will concentrate on them. But with one significant difference. This part of the package will be networked — a reduction of output to 25 per cent of the present level.

Regional magazine programmes — Auckland's *Top Half*, Wellington's *Today Tonight*, Christchurch's *Mainland Touch* and *Seven-Thirty South* in Dunedin — have not been a ratings failure in their present form.

But they haven't been outstanding successes in their own right either. McNair surveys show them picking up varying ratings night by night, depending on the size of audience they inherit from *Close to Home* or *Coronation Street*.

This audience size, in turn, depends on the strength of the opposing attraction on Two — or rather, how hard TVNZ is trying to shift the bulk of the audience to that network for mass-appeal programming and a revenue kill.

Thus on One's non-commercial Friday, regional programme audiences dip to the low levels which TVNZ orchestrates — with arts programming next on One's bill, and no commercial revenue, local magazine shows shouldn't be allowed to stop the "slob" audience moving over to *The Incredible Hulk*!

The new scheme for regionally slanted magazine items to be made for national consumption — and obviously fewer will be required — should solve the biggest problem which the regional programmes cause to a TV organisation that won't publicly admit them.

They tie up film crews, studios and other equipment for product that reaches only a small, geographically defined, segment of the overall audience and thus divert resources from local production designed for nationwide audiences.

The possibility of cycling local items into a network format has been explored relatively successfully with the *Topic* segment of the pseudo-newscast *Two on Six* ("pseudo" insofar as what purports to be a half-hour newscast comparable with the 6.30 news on One is but a mini-bulletin of 10 minutes, followed by magazine padding recycled from one or more of the preceding night's regional programmes from the other network).

TVNZ news controller Bruce Crossan may resolve the problem of eight redundant regional frontpeople (two in each centre) by keeping some on to "introduce" items from their areas on the new networked package.

This might be done with the slogan "introducing the regions to the nation," which Crossan used when doing the same thing on SPTV six years ago.

SPTV launched its news in 1975 with 7pm regional programmes, topped by a five-minute networked headlines bulletin, as an alternative to TV1's networked 6.30 news with a regional headlines tailpiece.

That didn't succeed in the ratings, so *News at Six* was brought on from 1976, with the regional anchorpeople temporarily retained to introduce items from their area — often a contrived any-other-centre-bar-Wellington topping for a national story.

The *News at Ten-Eyewitness* merger into a nightly 45-minute package on Two at 9pm has even more elements of *deja vu*.

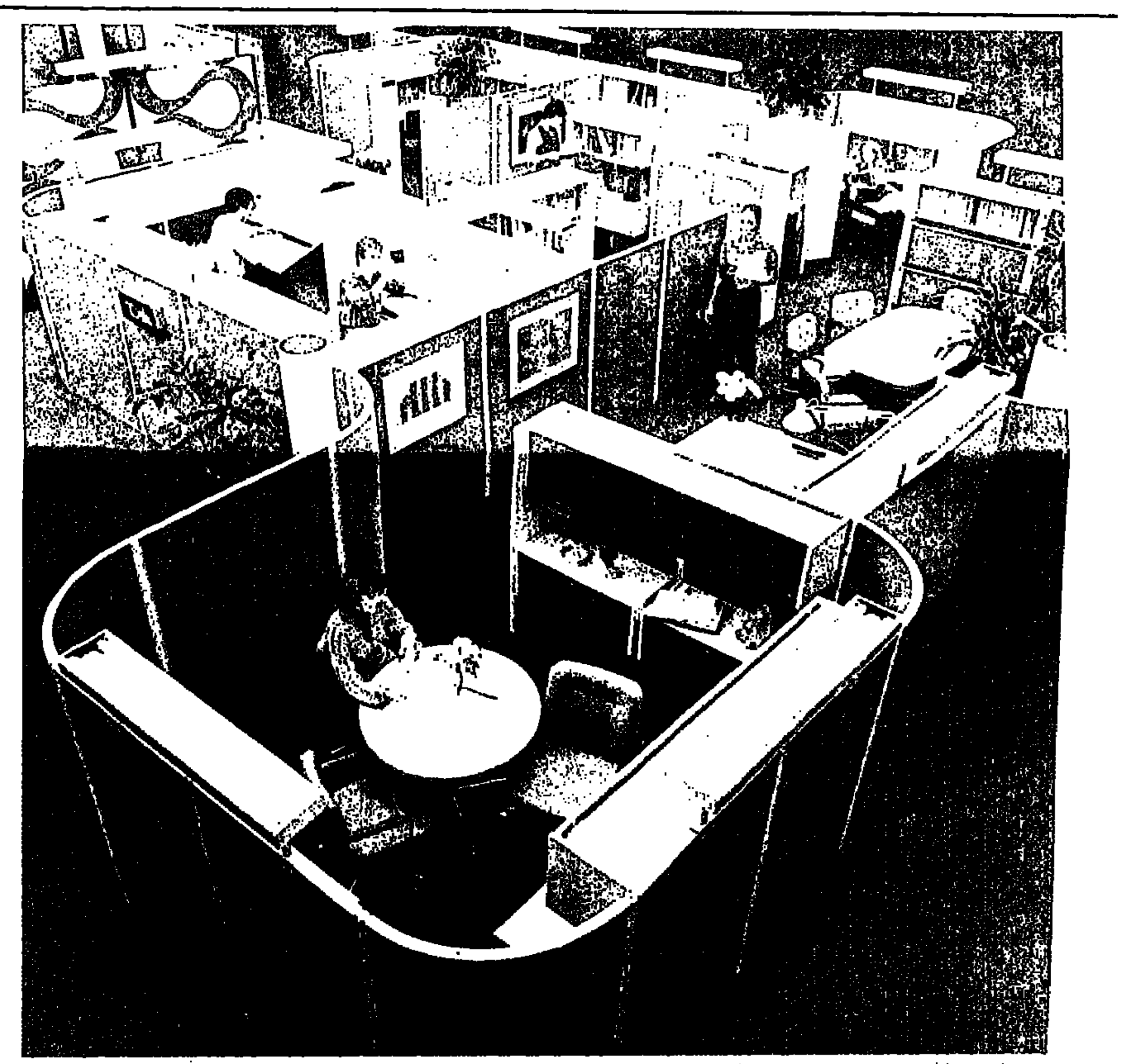
First, the one-hour shift forward recognises the obvious audience pattern — viewers almost invariably tend to desert TV in droves from 9pm onwards, with a second major wave of defections right on 10pm.

It took a mass-publicity show like *Dallas* to break through as the first programme shown after 10pm to make the McNair "top 50".

By moving "*Ten* Mark Two" forward to 9pm, TVNZ is merely cornering for it the same potential audience as TV1 enjoyed with its rival, *Tonight at Nine*, of the early years.

The real risk — TVNZ programme controller Des Monaghan recognised it in his TV1 days — is that a second major news programme at 9pm will shed viewers 30 to 60 minutes earlier than would be the case if mass-appeal entertainment were shown.

Monaghan in TV1 days shunted *Tonight* back to 9.30 — this time, with both channels at his disposal, he can kill Two's 9pm news show with a major chart-topping entertainment on Two. TVNZ, after all, collects the ratings and revenue both ways.



City Girl joins the Gourmet publishing set

by Claudia Perkins

MIRANDA Faire, a newcomer to the publishing business, whose first issue of the glossy *Gourmet* magazine hit the stands early this year, has taken over the ailing *City Girl* magazine.

City Girl kicked off in 1976 in the hands of Lois Reizler, John Robinson, and George Papaconstantine as a glossy giveaway almost entirely comprised of adverisements.

It was promoted to magazine status, a price tacked on, and editorial comment added. It still failed to flourish.

Two years ago Mike McCann, of Pacer Printing, who had a $26,000 lien on *City Girl* for printing work done, took over the magazine.

City Girl continued its lacklustre existence until some months ago when McCann and free-lance journalist Sheri Keith brought the magazine up to a standard where it could compete with the flood of local glossies hitting the market at that time.

McCann's company, Glammour Publications, sold *City Girl* to Faire's Miranda Faire Publishing Ltd about three weeks ago. The magazine was then understood to have a circulation of 15,000 to 16,000.

Faire's publishing stable also includes *Gourmet Fashion and Interior Design*, and *Gourmet Food and Entertainment*.

Initially Faire looked at buying the entire Glamour Publications stable; *City Girl*, *Jet Set* (a "girlie" magazine) and *Nautical News*. But, it was felt *Nautical News* as a tabloid might make "an uneasy bed fellow" with the type of magazines we are producing,

Miranda Faire . '. . aiming for quality.

said Graham Culliford, Faire's partner.

Nautical News has been sold to its two writers, Barry Thompson and Steven Derig.

It is understood Faire may still be considering buying *Jet Set*.

Faire's *Gourmet* magazines are quality glossies aimed at the top end of the market. "In New Zealand there are photographers who can take photographs of a world standard, of products of a world standard, and reproduce to a world standard," Faire said. She is trying to reinforce the idea that "the New Zealand product is a good thing, that imported is not necessarily best."

Faire and her partner intend the magazines to complement one another, particularly *Gourmet Fashion* and *City Girl*. *City Girl* will be levelled at the younger readership of the same market as *Gourmet Fashion*, and the partners envisage, for example, that a whole range of clothing at a fashion show will be covered by the two magazines, each concentrating on its particular market area.

Faire aims to offer her advertisers a range of outlets through a series of specialised magazines, also enabling advertisers to advertise across the various magazines in a package rather than one magazine or another.

With *City Girl's* circulation around the 16,000 mark, and both *Gourmet* editions selling nearly 8000 copies each, it is an attractive alternative for up-market advertisers, Faire claims.

City Girl will continue as a monthly. The two *Gourmet* magazines will eventually come out quarterly. *City Girl's* price will go up to $2.50 but its advertising rates will remain the same.

City Girl's editorial policy will remain much the same as in previous months and the magazine will be run by Faire with the aid of a journalist, possibly the incumbent editor, Keith.

New VCR service

AS an interesting spin-off from the nascent videocassette recorder industry, we note the appearance on the scene of a company geared to supply both VCR equipment and creative material for industry and commerce.

Called Video Infomercial Productions Ltd, it sets out to provide a service of "infomercials" — a mixture of information and commercial, providing a sales pitch that's long on information but unashamedly commercial, in any length that proves suitable.

In a number of uses, provided the economics are right, VCR will provide strong competition to other audio-visual methods.

Apart from sales presentations, applications suggested include in-store product selling and demonstrations; professional and trade training schemes, a support medium for instructional and operational manuals; and for in-house communication to employees.

The principals of Auckland-based V-I-P are Peter Hull with 22 years experience in advertising and public relations and John Morris, with 32 years in advertising as copywriter, creative director and TV writer and producer.

— Grev Wiggs

ELECTION WATCH '81

The provinces: Pages 30-36

Forest funds on way to felling fortune within decade

WORKING on the appealing assumption that trees in the ground are as inflation-proofed as bonds in the Reserve Bank, the forest funds are within a decade of felling a fortune.

Hope of a turn-of-the-century timber boom has encouraged hundreds of private investors to put up with nil yields and no dividends throughout the long (up to 25 years) life of funds.

But the unit-holders in one fund, the Perpetual Trustees-administered Nuhaka Farm Forestry Fund, have enjoyed considerable capital appreciation of the units, particularly over the past year when tight scrip and keen demand sent the price spiralling to $3.

While they have returned to about $1.90, the units are still ahead 80c or so on early 1981 prices. Among those to share in the rally were those who took up about 71 per cent of the 518,418 new units issued at par $1 last year.

That buoyancy must hearten the 800 individuals who held unlisted shareholdings in the 78 per cent Fletcher-controlled Forest Investments Ltd fund.

Fletchers is now going through the mechanics of stock exchange listing and will reduce its holding to 75 per cent.

Along with the promise of a 21st century price level for timber which will far outstrip inflation, the market interest augurs well for a third fund which will float to the New Zealand public this month.

Dunedin-based Perpetual Trustees has been clearing approvals for a new fund to be called Opio Forestry Fund. A prospectus offering 1¼ million $1 units will be released later this month.

Financial circles are expecting an issue of about 725,000 units to the public and placement of the rest of the equity with a top public company.

There are a limited number of candidates, because the deal also involves an end-user agreement. It is therefore presumed the company is already involved in the timber industry.

The funds themselves offer an alternative to buying shares in timber companies, or to direct participation by investors-cum-foresters. There is usually nil return in the early years until thinning of forest, or sale of captured deer, or grazing of cattle generate cash flow.

The Opio Forestry Fund, in contrast to Nuhaka's rugged Poverty Bay, North Island, location will be based on level tussock land in western Southland. It includes excellent farmland of about 200 hectares which will be leased to provide income, and ultimately capital profits.

Opio will be on a smaller physical scale at 730 hectares than Nuhaka's 1700ha, but it is almost as big in financial terms.

Perpetual is anxious not to duplicate problems that Nuhaka experienced in its infancy, when it was deemed in 1976 to be technically in breach of its trust deed. In those difficult days, the funds were a new concept and investors as impatient as they are today.

When Nuhaka was floated in January 1974, the level of $1.5 million was stated in the prospectus as the minimum subscription necessary to permit the fund to proceed.

In fact, issued capital was $750,182 and auditors continued to tag the accounts until legal opinion was sought by Perpetual in an effort to overcome the problem and permit Nuhaka to continue.

The 1980 issue almost takes Nuhaka to the original proposed level at $1.39 million and the difficulties have long been supplanted by optimistic forecasts of earlier profitability than once expected.

Forest owners today face the expanding problem of soaring costs. Land costs are only one factor, as competition for suitable silviculture areas intensifies.

Rural manual labour is scarce and increasingly costly. Pruning and thinning are more expensive to undertake and owners must be in a position to cope with the expense of chemical control of tree disease.

Although costs have been rising, the potential return for timber being cut in the next decade (or in the case of Opio, the next century) is expected to permit early estimates to be not only met but considerably surpassed.

Nuhaka's advisers said in 1974 that earning rates would be more than 14 per cent a year compound for an average investment term of 25 years. Those rates not only appear to be unsatisfactory by comparison with a 15 to 16 per cent inflation rate, but costs were estimated at the time on the basis of a 4 per cent inflation on 1973 values.

But increasing valuation and eventual market returns continue to justify forecasts of a projected return for each $100 invested of $2844 over the 10-year harvest period of 95 million cubic feet from the first crop.

It is that type of bonanza which unit-holders expect will compensate for the 20 years of nil earnings.

It is impossible to forecast what trees will be worth next decade. Meanwhile, the units are valued in relationship to net tangible asset backing provided by regular valuation of actual forest.

Latest unit-holders' equity is $2.14.

Nuhaka planted a further 342ha last year. That left only 250ha for planting in the winter of 1981 to bring the total planted area held by the fund to 1570ha.

In 1982, only an additional 120ha must be planted to complete the forest.

Growth of the trees has been outstanding on the Poverty Bay [illegible] in ten years, slightly ahead of prospectus forecasts, which did not expect extraction of first stands until 19 years have passed.

That prospectus also said the basic marketing posture in determining stumpage values was to be the sale of logs to Japan.

Alternative marketing opportunities would also help determine the wood base value. Advisers emphasised the potential value of being independent of "any existing part of the forestry industry."

With hindsight, those words were written when natural resources were extremely bullish.

High-riding metal prices were to lead world commodity markets into a tailspin, the results of which have been underlined in red ink by Australian miners this year.

Not imprudently, Nuhaka unit-holders worried about the absence of assured market arrangements. The fund responded this year by signing a log sale agreement with its 23.9 per cent unit-holder, Caxton Paper Mills Ltd.

Fears that this could tie up its timber rights on unfavourable terms do not appear to be substantiated by the small print which ensures Nuhaka will obtain ruling market prices.

While it has passed control of the timber flow to Caxton, the latter may assign the timber rights to other end users.

Nuhaka is located adjacent to the well-advanced Whareata State Forest near state highway 2 and work by tenderers for that source could easily flow on to Nuhaka's area.

J G Groome and Associates, the forest auditors for Fletcher-backed Forest Investments Ltd say that even during the past year there has been a big rise in the level of stumpages, log prices and [illegible] forest values in most areas of New Zealand.

They say this augurs well for the shareholders of the forest-growing companies.

They attribute the upswing to recognition of "the serious shortage of raw material which will arise during the eighties and greater confidence in the export markets for wood products beyond 1990."

"Actual realisations being received now and projections into the future indicate that returns to forest growers will far exceed any early expectations.

"The returns on investment in forestry are now significantly higher than the continuing high inflation rates particularly where the forests in question are able to service both the domestic and export log markets."

Forest Investments' extraordinary meeting of shareholders opened the door to listing of its shares on the stock exchange by amending articles in relationship to the level of Fletcher shareholding to stock exchange requirements.

Fletchers, as original sponsor, believed at the time of incorporation that the advantages of minimising death duties on the value of shareholdings far outweighed the disadvantage of not having the shares listed.

Recent legislation has substantially reduced or eliminated that liability in a large number of estates.

The Fletchers' stake will be reduced to at least 75 per cent and it seems that reaction by the market to the initial listing will be monitored closely to determine the potential for a wider spread of the shares.

For unit-holders whose units have been valued annually and unit sales negotiated through Fletcher Trust as the market medium, the immediate interest would focus on whether the price firms above private crossings at around $1.50.

In the future the appeal of Forest Investments lies in the close proximity of its Ngatapa Forest to the port of Napier while its Paengaroa stands are very close to Mount Maunganui, the established centre of the export log trade to Japan.

It is halfway towards its ultimate 4050ha of forest and already accruing annual profits of $253,856.

Forest investors will thus have three funds to assess: Nuhaka, Forest Investments and the nascent Opio.

It could be a case of barking up the right tree in each instance if predicted bumper returns reach reality.

Not all plain sailing, this off-shore yacht racing

Brian Turner gives a personal view of sport in this occasional column.

STEVE said, "Right, you jokers, we're almost there. I don't want any cock-ups this time. I want that kite on as soon as we're round the mark. Within 30 seconds. I'll have the clock on you this time!"

We laughed. Like hell he would. He'd be too damned busy steering the boat, easing the main sheet and keeping an eye on one of the after guys to have time to more than guess how long it took.

I squinted and looked at the mark dead ahead and approaching fast. The orange flag was fluttering in the freshening breeze which was tearing spray off the milky-green sea and the yacht heeled well over each time a strong gust hit her.

Steve said, "Somebody play the main, for Pete's sake." I grabbed it and paid some out. The amount of weather helm was excessive if we failed to ease the main sheet whenever a squall hit us.

Water streamed over the wooden decks. I glanced to weather and the salt stung my eyes. A sou'wester had come away 10 minutes before and was muscling over the Silver Peaks and whistling across the low dunes and estuary behind Warrington Beach, flattening the surf and burring the sea.

Conditions couldn't have been in greater contrast to when we'd started the race more than three hours ago. Then, we'd tacked to and fro in a light north-north-east breeze of 5 to 10 knots. The bright morning sun flashed like shields and lances on the waters of the channel as we gradually established a break on the fleet and beat towards the harbour entrance.

Once outside and clear of the breakwater the wind dropped right away. We inched along under the towering cliffs of Aramoana (the Maori's "Pathway to the Sea") which looked like a worn old carpet hung up and beaten once too often.

The sea birds spiralled in the thermals or rode up and down on the lolling blue sea while we strove to keep the boat moving towards the as yet unsighted mark off the north-west end of Warrington Beach.

We had a convincing break of about a mile on the next boat in the fleet but we felt anything but complacent, since we knew the other crews could see the hole that we had fallen into and would alter course accordingly.

Half a mile to starboard and further out to sea we were being mocked by the sight of a slightly ruffled ocean which betrayed the presence of a light sea breeze.

Trevor yelled to it. "Come over here, you bugger."

Steve said to Colin, who was lying near the foot of the mast, "Scratch it and see if you can call up some wind, will you." Then, as an afterthought, "but don't move around too much or you'll upset the trim."

There was very little we could do. I eased the out-haul on the main a bit more and Colin did the same with the halyards. We were moving, but only just.

We looked around. High to the north above Shag Point and the Moeraki Peninsula a few thin streaks of pale cirrus stretched across an otherwise clear blue sky.

Closer, about 10 miles away, we could pick out the prominent clay cliffs of Matanaka on top of which the notorious Johnny Jones — whaler, settler, farmer, shipowner, entrepreneur — established Otago's first farm in the early 1840s.

And closer still, at the southern end of Waikouaiti Bay, was the small serrated Karitane Peninsula, while north west stood the bobbly slopes and hills behind Seacliff.

Steve kept looking astern to see how the other boats were faring. The answer was better. Those that had set a course further out to sea had crept closer.

In disgust Steve said, "Here, you take the helm. See if you can make her go, I can't." The others — Colin, Trevor and Phil — laughed and jeered.

"Blow, you bastards, blow," I said. They jeered again, louder this time.

We made a cup of tea, ate fruit cake, chicken, tomatoes and cheese, and sunbathed. Every now and then a cheer went up when I announced the log had flown up to touch one knot.

About 10 other boats had closed to within half a mile of us. We laughed and chortled. What fun it was to be true sportsmen, members of the good-natured philosophical fraternity of yachtsmen.

Steve said, "What's wrong with you, can't you do something about making this boat go faster?"

"Yes, what's wrong with you?" The crawling sycophantic fools mimicked the skipper.

A light north east breeze brought the rest of the fleet up to us as one by one the spinnakers filled astern.

The 45-foot Tara's huge red white and blue spinnaker blotted out the sun as she sailed by to weather, her crew grinning evilly and mocking us. We worked frantically to get our kite full and setting properly but Tara's transom was 100 yards ahead of us before the crew of the nippy 35-footer Thoura could settle down to a quiet run.

Or so we thought.

"Dammit," Steve said, "you wouldn't believe it. I think . ."

"You're right," we chorused, "the bloody wind's coming ahead."

"Quick, get the kite off and the genoa on again."

We cursed as we worked like galley slaves.

"Hurry up," said Steve, "and as soon as you're ready I want that kite bagged and put on again as soon as we round the mark. Now don't muck about, you haven't got much time."

"There never is much time when you need the time," I said, "Tara's lot didn't do too well." She was now only two boat lengths ahead.

"Don't you worry about her," Steve said, "just get that kite ready and hooked up."

"Right, ease the main." We scooted round the mark within an arm's length of Tara.

Somebody said, "Watch it, Steve!"

"Right, up with the kite. Come on." I hauled on the halyard and the spinnaker snaked up like a genie. "Sheet in, quickly," Steve said as he cleated the main sheet and grabbed the guy to stop the pole skying.

Phil winched the pole slightly further aft, Trevor trimmed the sheet, I grabbed the fore guy and Colin tidied up on the fore deck. Thoura's bow lifted and we were creaming along.

"That was more like it," Steve said.

We glanced astern. Someone said with glee, "They've balls-

but all the same, it's as much macho as masochistic

ed something up." About 100 yards astern Tara's spinnaker was swirling around behind their genoa. We grinned and smirked.

We covered the six miles to the next mark in half an hour, the boat moving beautifully as we trimmed the sails constantly. It was four miles before Tara was able to break through us and we wallowed in their evident frustration.

The seas were building up as the wind increased to about 25 knots with gusts of around 30. Nine miles away across an angry sea the Taiaroa light sat like a bright white blip on the cliff-top at the entrance to Otago Harbour.

We knew that in the conditions we could not hope to match the power of Tara when it came to a hard slog to weather on this spanking sunny afternoon.

But we would give it a go. On the run down to the mark off Matanaka we hanked on our No 2 jib and decided we would probably reef the main just before clearing Waikouaiti Bay.

Tara rounded about 200 hundred yards ahead of us, came hard on the wind, stalled, and wallowed beam on to the seas, her kite trailing in the water to leeward. We cheered the incompetence of the rival crew.

Steve sounded a warning. "I don't want you buggers doing the same."

We dropped our spinnaker and had everything sussed away in good time. We sailed past to leeward of Tara and listened for the yelling. Tara's skipper was not at the helm. He was on the foredeck trying to untangle halyards and sort out the mess.

After five minutes we decided to throw on to the port tack and beat up the shore where we hoped for slighter seas. Our plan was to keep out to the west until we could put on to starboard and with sheets eased slightly make the harbour entrance on a long lead.

We put two rolls in the main and were moving nicely at seven knots. Tara eventually got herself sorted out and went out to sea.

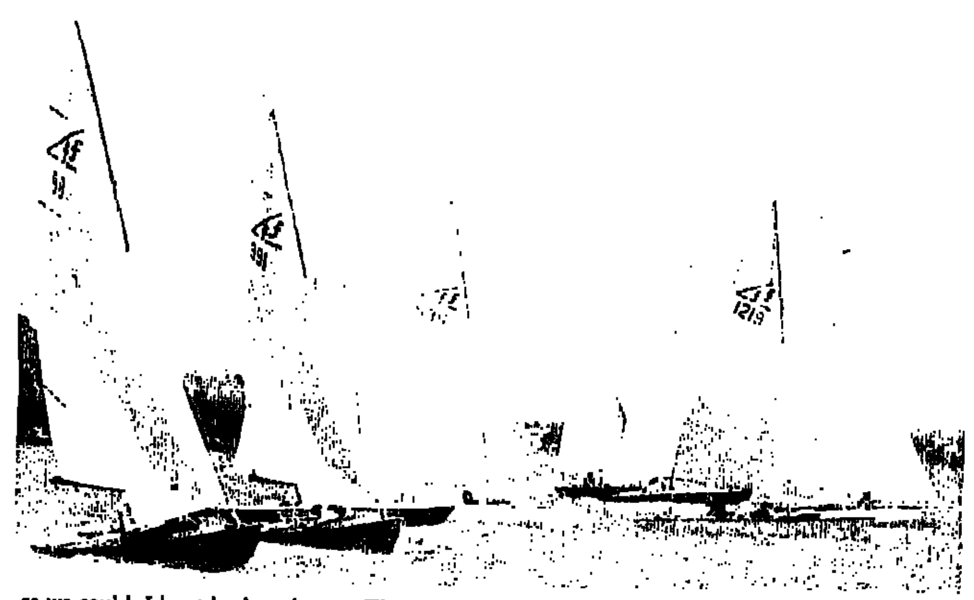
With sheets eased we crept up to 9 to 10 knots on the lead across to the harbour entrance and we cackled in self-satisfaction when we realised that we were going to be first back inside the harbour.

We saluted one of the albatrosses as we began the beat up the channel with Tara about 300 yards astern. And then the wind began to fall away.

Steve said, "You'd better get the No 1 genoa hanked on; it looks as if we're going to need it."

Tara was getting larger all the time as we beat up the cross channel. Steve looked behind again and said, "We can't leave it any longer. Now, you guys have got to be fast. This has got to be the best change you've ever made."

Colin readjusted the leads while I dropped the jib and we began unhanking the sail as fast



as we could. I leapt back to the winch and, as Colin clipped the shackle on to the peak of the genoa, began winding it up.

There was a shout and the shackle flew from his hand. He hadn't got it closed properly before I'd started to wind.

"What the hell's going on?" Steve shouted. The shackle hung from the spreaders. Colin grabbed it, bounded forward and clipped it in to the sail, again. Again I wound away.

Something was jammed. The halyard had snagged round the spreader. "For Pete's sake, what's wrong now!" Steve yelled. I told him as Colin freed it. "You stupid bastards, you've gone and lost us the race."

A great gust and roar of laughter burst from the crew of [illegible] they sailed by feet away to [illegible]

Silence and shame descended upon the former superb sailors on Thoura. I looked at Steve. He looked disgusted, his mouth clamped shut. I looked at the others who didn't want to look at anything. I looked at Colin and shrugged. He was trying to find somewhere to hide.

So we came second. We crossed the line and dropped our genoa which we quickly stuffed down the for'ard hatch. We would flake it when we were back on the mooring.

Phil and Trevor dropped the main and began to furl it on the boom while Steve started the engine.

You could say the mood was just a little despondent. I looked into Phil's eyes and detected the slightest flicker of the amusement that I knew would be coursing through him, but the moment for a flippant remark was not yet upon us.

We would have to wait until we were ashore, with a few under our belts in the local, before the funny side asserted itself again.

In the meantime, I reflected on how quickly we had forgotten the exhilaration and joy that had flowed through us when we were out there on the blue water and *really* sailing, sailing as well as we had ever sailed.

Transport

Truckers claim new law will add 40% to freight cost

by Warren Berryman

FAST-tracking it through Parliament, the Transport Amendment Bill threatens to add 40 per cent to some companies' freight costs with measures designed to protect the Railways.

The bill is aimed at truckers who have been circumventing the law to break Railways' monopoly on long-haul transport.

Railways general manager Trevor Hayward said the department was losing $18 million a year to truckers who were circumventing the law to cream off the best freight business — particularly in the Waikato.

Critics say that plugging the loopholes will add an estimated 40 per cent to the freight bills of companies which circumvent the law to avoid using Railways.

Some companies, particularly in the wine industry, will have their freight costs more than doubled when they are forced to use Railways.

Having been barraged with some 34 submissions in its committee stage, the bill is due to become law on December 1.

Truckers, the Road Transport Association, and manufacturers feel the bill is being rushed through with indecent haste.

Lawyers have criticised the bill on the grounds it is complex, capricious, and inconsistent. Some lawyers even say it goes against the fundamental principle of British justice — that a man is innocent until proven guilty and the onus of proof is on the accuser not the accused.

They also criticise the bill for being so complex and poorly worded that even legal experts find it hard to understand, let alone the truckers who are expected to understand and obey it.

However, Hayward says "the average trucker knows what he can and can't do. It's smart-alec lawyers who have been getting away with blue murder."

Legal sources point to a large number of legal cases under the present Transport Act where judges have found the law too muddled and inconsistent to be workable. The new bill, these sources say, is little more than an inadequate piecemeal amendment to existing inadequate legislation.

The Road Transport Association would like to see the bill held over until the Transport Advisory Council completes its two-thirds finished study on the co-ordination of inter-modal transport.

Hayward comments: "The Transport Advisory Council has been labouring on it for ages. I don't think it will ever end. They will continue and there will be more alterations to the law in stages.

"The only people endangered by the bill are those getting around the law and the phoney warehouses. The bill is not directed at genuine truckers or warehousemen. Legitimate carriers are being put out of business by these long-haul truckers."

The bill is aimed at truckers who have been circumventing the 150km limit by carting long-haul cargo in stages of 150km or less.

In essence, it works like this. The law says goods going more than 150km must go by rail if rail transport is available. So trucker A picks up a load of wine in Auckland and takes it to a warehouse in Hamilton about 150km away. Trucker B picks up the load from the Hamilton warehouse and takes it to points further south.

The wine company gets a door-to-door service at less than half the cost of sending the wine by rail in a railhead-to-railhead service. The wine company also avoids the damage and pilfering which is alleged to be endemic in Railways.

Railways' taxpayer-subsidised losses are about $90 million a year. However subsidised, rail is not cheap. The wine-maker pays $4.87 to ship a case of wine from Auckland to Dunedin and only $1.90 to ship it to Tokyo or $2.70 to Los Angeles.

The Transport Amendment Bill makes it an offence to use these intermediate warehouses to circumvent the 150km rule "unless the court is satisfied that the goods were held or stored at such intermediate stopping place or stopping places for business purposes unrelated to the avoidance of the restrictions on the carriage of goods by road set out in this part of the Act . . ."

Thus the onus is on the trucker to prove he was not circumventing the Act — not on the prosecutor to prove he was.

The bill increases the penalty for breaching this rule and another on waybills from $2000 to $10,000.

The trucker must carry a waybill specifying out the trucker or truckers that will carry the goods from starting point to final destination, and the goods carried.

The bill gives traffic officers the power to stop truckers, check their waybills, and mark their goods.

Thus the trucker headed for Hamilton from Auckland could be stopped and have his goods marked and subsequently find himself in a legal mire if these marked goods were found on another trucker's lorry headed south out of Hamilton for points outside the 150km limit.

Worried truckers point out that they might, in good faith, pick up a load out of Auckland for delivery to a Hamilton warehouse. The waybill would be made out Auckland-Hamilton.

If the goods are subsequently discovered south of Hamilton in another trucker's lorry both truckers are liable for prosecution for circumventing the 150km rules and filling out false waybills.

Truckers argue that when they cart goods to Hamilton and deliver them to their destination, that's the end of it for them. What happens to the goods afterwards is not their business. But under this bill they could be prosecuted for the activities of a consignor or consignee of which they had no knowledge.

Truckers also point out that the bill does not make clear what the legitimate functions of a warehouse are.

They ask: if goods were trucked from Auckland to a Hamilton warehouse and then after six months or so made up into orders for retail outlets south of Hamilton, would this constitute one trip, for example, from Auckland to Tokoroa, or two trips, one from Auckland to Hamilton and another from Hamilton to Tokoroa?

The bill requires the waybill to state where the goods were uplifted and where their carriage is "intended to end".

Truckers insist that they don't always know where each tin of baked beans they carry is intended to wind up.

Hayward said: "I'm sure the courts would take each particular case into account. This bill is not aimed at legitimate truckers or warehouses."

While the bill is aimed at curbing the practice of warehouses circumventing the 150km rule; it could effectively result in an increase in the number of warehouses and double-handling.

Watties Industries, for example, said it could save $900,000 in Auckland warehousing costs if it could transport its goods by truck rather than by rail.

Watties points out that supermarkets demand a 24-hour service. An overnight trucking service from Napier to Auckland can carry Watties goods and deliver door-to-door. Rail is slower, and because it carries goods railhead-to-railhead, Auckland warehousing and double-handling are necessitated.

Plastics manufacturers generally prefer using trucks to rail to eliminate double-handling and thus cut damage losses. Bags of plastic pellets are easily split open. Going by rail the bags are loaded on to a truck, off the truck, on to a railcar, off the railcar, on to a truck, and off the truck into the plastics factory. Truckers supply a direct door-to-door service.

Cars

Porsche puts technology in the driving seat

by John Griffiths
of the Financial Times

EARLY next year Porsche, the West German specialist car group, will start production of a new model. Called the 944, its bodyshell will be based on the existing 924 sports car, but instead of a Volkswagen/Audi engine it will be powered by Porsche's own new 2.5-litre engine, a switch which is of major significance to the company's future.

For it represents a reversal of the current motor industry trend towards components-sharing. It represents, also, a partial answer to a persistent and intriguing question which

> Car sales alone would not generate the cash Porsche needs to develop advanced new models. The solution is to sell its advanced technology to other companies.

two years yet turnover drop by only 12.5 per cent illustrates two things.

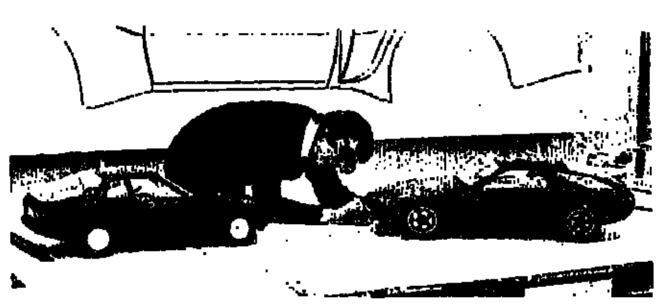
One is the increasing contribution from the research centre at Weissach, near Stuttgart, one-third of the work of which is now for outside companies. The other is Porsche's ability to date to increase prices more quickly than most other cars.

be launched in 1983 worldwide.

Currently its problem is that many more companies want to use its expertise than it can handle, which is why expansion has become so important.

Porsche is not alone in seeing technology "wholesaling" as a big revenue earner; Lotus, BMW, Aston Martin and other specialists have similar strategies (Lotus's deal with Toyota is as much R and D supply by Lotus as engine-buying from Toyota for its planned "cheap" sports car).

The director of the research centre, Dr Helmut Bott, says Porsche does not fear such npetition; not just because of already high status but ause there should be more n enough work for all. 'sche's widely accepted ef is that volume car-makers ghed down with production problems will rely increasingly on specialists for technology developments.



Porsche design . . . sold off to others

Porsche's prime *raison d'etre* will, however, remain its own cars. And Schutz says there is now "an increasing commitment to providing more precisely what the customer wants."

In that, despite the supposed fickleness of the expensive sports car market, Porsche has been consistently successful thanks to a model range which stretches from the inexpensive, by Porsche standards, 924 through to the V-8 engined 928S.

For Schutz, the move to Porsche has not been too traumatic, despite never having worked for a car company. A former vice-president of Cummins Engine in the United States, the Berlin-born American, now in his early 50s, returned to West Germany three years ago as manager of Klockner Humboldt-Deutz's diesel and turbine division.

"Not coming from a car company is not too bad a disadvantage," he suggests, "there are still the same basic management questions to be asked."

Not least of them is that, if Porsche is anxious to be seen at the cutting edge of technology in vehicles themselves, it — like the rest of the motor industry — must also face up to what new technologies should be introduced to its production facilities, with all the ramifications for employees.

Improving productivity without eroding that pride "will be very difficult," admits Schutz. "I just wish I felt as confident of seeing light at the end of the tunnel in employee terms as I do with technology."

allo[illegible] to attract public funds, yet to be needed.

Fuhrmann's legacy was a company which, in the year to July 1980, sold 31,764 fast, expensive sports cars and made $5.5 million after tax on a $683 million turnover.

The results were lacklustre but not unexpected at a time of weakening world markets and stiffening competition in the United States, which takes nearly 40 per cent of output. In 1978-79 Porsche sold nearly 40,000 cars and turned over $750 million billion for a profit of $12.5 million.

This month turnover and sales for the current year to July were announced: 28,000 cars sold (a five-year low) and gross revenue of $6555 million. No profit figure has been announced but is expected to be very close to $5.5 million again.

That car sales could fall in volume by 29.3 per cent over

[illegible] than in the past." Our strength has always been technology. That will continue. In everything we do Porsche has always been at the pinnacle of technology. The day that wavers, then you can start to question the company's long-term viability."

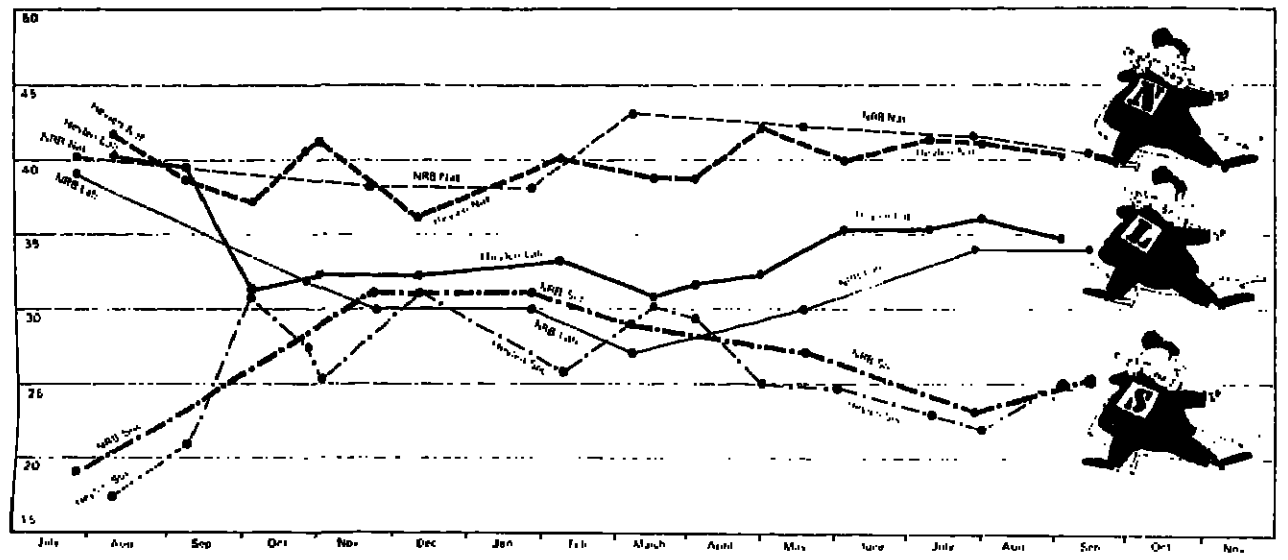
Porsche will not talk about its engineering customers because they often like to claim Porsche's work for their own.

But out of its first pre-war contracts to design and develop, among other cars, the Volkswagen Beetle, the work has broadened to include a wide array of activities from tractors to tanks.

Porsche Design is even involved in watches and sunglasses, while Nato's Leopard tank is a Porsche design. America's Harley Davidson is a customer for a new motor-cycle engine and Lada, of Russia, for a front-wheel-drive car range to

The polls agree: Labour now back in clear second...

by Colin James



WHATEVER movement shows up in the latest Television New Zealand-Heylen Poll, taken on October 3 and due to be published about the time this went to press, it is clear that the two main polls are now broadly in agreement.

The *New Zealand Herald*-National Research Bureau poll taken from September 12 to 16 — a week to 10 days after Heylen's September 5 poll — matches Heylen, both in actual measurement and trend.

After the unsettling six months that followed the East Coast Bays by-election last year, a clear pattern has emerged in both polls.

That is the clear re-emergence of Labour as second over Social Credit and a gradual narrowing of the National-Labour gap.

Both polls have given National a lead by enough to fuel confidence of victory.

But at 5 to 6 points behind National, Labour can realistically hope for victory, despite national's apparent impregnability.

Over the past four elections, the NRB September poll has recorded National's position in relation to Labour higher than the votes turned out in the subsequent November election.

This "false" National margin was 8 per cent in 1969, 3 per cent in 1972, 5 per cent in 1975 and 9 per cent in 1978. This September's margin was 6 per cent — higher than in the decisive elections of 1972 (Labour win) and 1975 (National win) and lower than in the other, close-run, elections.

There is something from which both parties might take heart — and many imponderables still around, which will be dealt with in next week's analysis of the October Helyen Poll.

There is also something for Social Credit: in effect, agreement between the two polls that in early to mid-September the league was on target for its hoped-for 26 per cent of the vote.

Logically this should see leader Bruce Beetham and deputy leader Garry Knapp safe and a handful of other Socred MPs into the House.

Indeed, sanguine Nationalists are assessing Hauraki, third on Socred's target list for gains, as almost in Socred's bag.

But it may not be as clearcut as that.

In East Coast Bays, Labour is getting encouraging enough signs to cause it to believe there is a real chance that it will get enough votes to deny Knapp re-election.

The National organisation is also much improved.

In Rangitikei there is not much sign of a Labour resurgence, but National is now insisting that things are going its way.

Normally cool heads who have for months been saying that prospects were looking up have in the past month convinced themselves they are going to win.

And on the other side of that coin, the Beetham camp is showing signs of getting rattled.

A downturn in the October 3 poll would lend weight to a less rosy outlook for Beetham.

There is now also an indication that the fight may not be going too well in the distant north.

A poll conducted with help from *National Business Review* by pupils of Okaihau and Bay

and in the North, bad news for the Socred camp

of Islands Colleges in the centre of the Bay of Islands electorate has turned up a decisive National majority.

The poll, taken on September 26, interviewed 254 people on the Bay of Islands roll randomly selected from Kaikohe, Moerewa and Paihia and the countryside between them and around Okaihau.

Of those who said they had made up their minds to vote for a party or candidate or were leaning towards one party or a candidate, 57 per cent nominated National, 32 per cent Social Credit and 10 per cent Labour and 1 per cent another party or candidate.

This looks like a comfortable lead for National's Neil Austin.

But before anyone jumps to conclusions about the likely election result, some cautions need to be spelt out.

The first is that it was taken two months before the election and a lot can happen in two months.

The second is the statistical margin of error — about 5 per cent. If this applied to the maximum extent, it would halve Austin's apparent lead.

Next is the number who said they had not made up their minds definitely yet how to vote. These were about one-third of all people surveyed.

If Social Credit cleaned up among these "undecideds" it could head National off. And Socred's relatively late start to its full campaign gives it some hope of that.

However, Austin was close to getting enough in the survey among those who said they had definitely made up their minds to win without any undecideds.

He scored 56 per cent of those who said they had made up their minds, compared with Social Credit's 31 per cent. Labour got 12 per cent and the independent Social Crediter, Wilf Holt, 1 per cent.

National's 56 per cent represents about 37 per cent of all who said they would definitely vote or were likely to.

And among those who had not made up their minds, 47 per cent said they were leaning towards National, compared with 28 per cent for Social Credit and 5 per cent for Labour. Twenty per cent said they did not know.

The fourth cause for caution in reading the results comes in the fact that only a portion of the electorate was sampled. It may not reflect what is happening in the electorate as a whole.

But an analysis of the 1978 results for polling booths in the area polled show a close match between the results there and the overall result for the electorate.

National got 2 per cent more there and Social Credit 3 per cent less.

Though this would suggest that the National lead recorded in the survey should be adjusted downwards, the adjustment only needs to be slight.

A fifth caution lies in the sample itself.

The poll fell short of its intended number of interviews in Moerewa, an area where Social Credit has done better than National in the past.

But it also fell short in Paihia, where National has generally eclipsed Social Credit, and slightly short in Kaikohe, where also National has done better in the past.

And, judging by the spread of voting results in 1978, the survey's original sample may have taken too many from the countryside where Social Credit traditionally trails National.

But, even so, the survey is probably fairly representative.

It asked people how they voted in 1978. The result tallies very closely with the actual voting figures for the polling booths in the area.

At most, adjusting for possible over-sampling and under-sampling, or alternatively to match up exactly the 1978 figures, would narrow the current National-Social Credit gap measured in the survey by 3 to 4 per cent.

Taking the worst interpretation of the cautionary qualifications still leaves National ahead.

There is thus some reason for National and Neil Austin to be fairly happy — at this stage.

The poll shows Social Credit picking up votes from Labour — as it needs to if it is to win. The 10 per cent Labour figure is close to the level that would normally see a Social Credit candidate into Parliament for example, (Rangitikei in 1978) or close to it (Kaipara). In 1978 Labour, with a livewire candidate Maurice Penney, got 18 per cent in the Bay of Islands.

But Social Credit also needs to win votes off National — and the poll suggests that the movement is less from National to Social Credit than the other way.

It also seems to be doing less well than National among those who could not or did not vote last time.

In the under-25 age group National did far better in the survey than Social Credit, picking up nearly two-thirds of them all, compared with Socred's one-fifth. Social Credit matched National in the 25-29 age group, but above that did less well the older the age group.

Social Credit tended to do relatively well among the better-educated and more well-off. It trailed National 3-1 on farmers but did quite well among those in professional or managerial occupations and among clerical and shop workers (relatively, it did better than National) and in manual occupations (relatively as well as National and comparable with Labour).

And, as has been found in other surveys, far more men than women went for Social Credit.

Part of Social Credit's trouble may be the difficulty of getting Les Hunter well-known.

Fewer than half of the respondents knew he was the Social Credit candidate — though he was selected last year.

That is a lot lower than the 67 per cent who were correctly able to name Allan Levett as Labour's challenging candidate in a *National Business Review*-Heylen survey in the Wairarapa electorate in August, 1978.

But, though Austin was known by a lot more people, 71 per cent, he, too, is less well-known than the Wairarapa survey suggests he should be. Sitting National MP Ben Couch got 84 per cent in the 1978 August Wairarapa survey.

Austin, it seems, has a relatively low profile in the electorate.

But that did not stop him from being preferred as MP by twice as many respondents as Hunter — more than reflecting the difference in support for the two parties.

Some 16 per cent of National supporters gave his performance as a reason for voting National. Also, among the handful who said they were voting for a candidate, not a party, he far outpolled Hunter.

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ELECTION WATCH '81

Key electorates

Out there in the provinces, they'll pick a winner

by Colin James

MORE than any other group of electorates, the provincial towns hold the key to the election.

As far back as 1960, election analyst Robert Chapman was able to say that the party which held the majority of provincial towns held the Treasury benches.

That is still probably true of this election.

Because they are microcosms of the New Zealand urban electorate as a whole — with their mini-Remueras and mini-Onehungas and in-betweens — few escape the marginal class for long.

Wanganui, Napier, Timaru and Nelson have done so for Labour. But even then, Nelson was dicey in the 1950s, Wanganui went National for a term from 1969 to 1972 and Napier is showing maverick signs this time round.

Hamilton, Rotorua and Tauranga are National's strong towns. But Hamilton went Labour between 1972 and 1975 and just recently National has become nervous about prospects there this year. And Tauranga is this year in Social Credit's sights after a sudden rise in 1978.

Much interest, therefore, focuses on these secondary centres.

The South Island has one of special interest — Invercargill — which *Election Watch* will cover a fortnight hence. And it has an odd-ball, Nelson, which will be looked at next week.

The North Island boasts four provincial town seats that are particularly interesting.

Two are knife-edge National seats which Labour has to win if it is to be more than a one-term government: Gisborne and New Plymouth.

Labour has two that are in the front rank of seats it must hold if it is not to give ground to National: Hastings and Taupo.

New Plymouth slipped to Labour in the stayput election of 1966. Then in 1975 it was an early tocsin of National's landslide, the first seat to be declared and the first to change hands in what became a terrible rout.

In 1978 it was an early indicator that National would stay in government when it refused to move — by the barest of margins.

Mild-mannered Tony Friedlander, now chief Government whip survived Dennis Duggan's challenge by the paper-thin majority of 112.

Had the swing been equal to the average through the country — 5.3 per cent — instead of the 4.7 per cent Friedlander held it to — New Plymouth would have gone. It requires only a 0.4 per cent swing this time.

Duggan is back again, more experienced and with a better campaign organisation. National faces him with an almost entirely rejigged organisation, after some lethargy concerned top officials early in the year.

A critical factor may be Social Credit. If Social Credit rides up a wave that may develop in the countryside around the town, it could have an important effect on the outcome.

If, for instance, it took more votes from Labour than National, it could deny Labour the seat.

New Plymouth has an additional interest as one of the remaining (last?) significant pockets of Values activism, stirred on by environmentalist opposition to the gas-based developments nearby.

If the Values vote holds — it was 476 and one of the better results in 1978 — it could affect Labour's chances. A factor: the candidate is joint leader Janet Roborgh, well-known in the town.

Values is also active — to a point — on the other side of the island in Gisborne. Gavin McLean will stand there again.

National strategists feel less comfortable about Gisborne than about New Plymouth, though the swing needed is a little more, at 0.8 per cent.

There the key lies in Labour's candidate, Alan Wallbank. Like Duggan, Wallbank (a farmer who gave up his farm in his quest for the seat) is on his second time around and is much better organised.

Untrendy, earnest and pleasant, Wallbank has gone down well and equally untrendy, earnest and pleasant National MP Bob Bell will have his work cut out to hold him out.

Down the coast the pressure is in the other direction as elegant Hawkes Bay farming scion Hamish Kynoch pits himself against a Labour MP acknowledged by Nationalists to be one of the most attentive constituency MPs in the country.

They don't come much more pleasant and thoughtful than 33-year-old David Butcher, the intellectual economics graduate who has stayed close to working class unions through his political life.

But Social Credit has put a big cat among the Hastings pigeons — this time not so much by threatening to increase its vote as by running a real risk of shedding votes.

The resignation of the personable deputy leader, Jeremy Dwyer, a couple of months ago may leave a lot of votes in the air which could well go more National's than Labour's way, particularly in wealthy Havelock North where Dwyer did well in 1978. Swing needed for National to win: a mere 1.1 per cent.

If Butcher is under pressure, then so, too, surprisingly, is Geoff Braybrooke in Napier. Braybrooke's problem: he is an outsider (from Auckland) in a parochial seat.

So, though it has been safe for Labour since a brief flirtation with National after the 1951 waterfront dispute, Napier cannot be counted on beyond any doubt to return a Labour member on November 28.

Both National and Social Credit have reported defections from the Labour camp — principally on the "outsider" issue.

If Napier did change hands — and *Election Watch's* pick is that it will not — it would be a turn- up for the books, since it

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The provinces

ELECTION WATCH '81

Boom, with just a whiff of bust, in 'Energy City'

by Richard Fletcher

OPTIMISM reigns in New Plymouth — well, maybe OK. A couple of weeks ago work on the methanol plant began in earnest, the synthetic petrol decision is on the way and the gas keeps coming in.

But, underlying the optimism in New Plymouth, there is also a feeling of uncertainty, though each of the two major contenders for the seat cites a different reason.

Labour's Dennis Duggan, who trailed sitting member Tony Friedlander by one of the slimmest margins in the country last election, believes that while energy projects are coming onstream and future developments are on the way house prices have risen and unemployment is still high with little light at their end of the tunnel unless the Government changed.

The uncommitted voters are still waiting and the impact the party leaders make on the campaign will tell in New Plymouth.

For Friedlander, the major reason for uncertainty is what would happen if National wasn't returned in the election. He points to the Mobil decision to delay signing contracts for the synthetic fuels plant as one example. The Labour Party in Taranaki is at loggerheads over what to do on the energy front, according to Friedlander, and there have been reported differences between Duggan and Freda White, Labour's candidate for Taranaki.

National's defence of the seat centres on its base in Powderham St, in the centre of town where Colin Muggeridge, the electorate chairman, is spending most of his time. His campaign strategy envisages a Taranaki-wide approach, using radio and press coverage, with Friedlander concentrating on visiting clubs and giving backup to the canvassing. In general, he concedes many voters are still uncommitted votes but has identified many National supporters among them.

Friedlander has written to specific community groups and had meetings with them primarily in his role of local MP, but this local activity still contains a strong campaigning element.

Compared with other provincial towns, Friedlander sees for him a certain advantage, in that the city still retains two local daily newspapers as well as its local radio station, enabling him to pitch much of his work and publicity to the local scene. As well, the Springbok tour has been a great help to him, he believes, and locally it won't die as an issue before the election. On the economic front, Friedlander maintains local house prices have not risen any more than anywhere else and local unemployment figures have dropped in recent weeks, according to his latest knowledge.

With the end of the Parliamentary session, Friedlander will be using the extra time at his disposal to knock on doors and visit factories and offices.

However, Duggan has been doorknocking virtually non-stop since he began full-time campaigning in the electorate. A 46-year-old former Hawera policeman and then field officer for the Intellectually Handicapped Children's Society he was born in Wanganui and is well known in Taranaki. In New Plymouth, he claims an 89 per cent recognition of him as Labour candidate, though National Party estimates put it 10 per cent lower, with Friedlander having a 90 per cent recognition rate.

Duggan's "social conscience" emphasis might pick up some of the 476 Values votes polled last election.

New Plymouth became a focal point for Values when the party opened its national campaign there on Saturday. Values is fielding 16 candidates concentrated mainly in the central North Island.

The other mystery factor in the New Plymouth equation is Social Credit. While the league has been making significant inroads in neighbouring Taranaki, Waitotara and King Country, it still did not hit 3000 votes in New Plymouth in 1978. That figure, however, represented twice its 1975 tally.

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needs an 8.6 per cent swing. That is 1975 landslide size.

But Hastings and Napier spill over beyond their borders, filling up much of the contracting Hawkes Bay seat. The urbanisation of Hawkes Bay puts it in the just possible class of target for Labour — but only with the help of a swing of at least 1978 proportions.

Across the backbone ranges of the North Island is Taupo.

It is not strictly speaking a provincial town seat since it is made up of two towns — and they have little in common.

It is also misnamed. Tokoroa, working class, but affluent, is the key.

Taupo, upper-class retirement and playground, is safely right-wing for National.

Tokoroa, lower-class right wing, is not so safe for Labour. Social Credit has its hopes there as it does everywhere among the affluent right-wing working class.

And the redneck stand of the Government over the Springbok tour and similar matters may have — and Nationalists insist have — prised loose some votes that should be Labour's.

Taupo needs only a 2.3 per cent swing for National to take it back. It promises to be a fascinating contest.

Which is more than you can say for Rotorua up the road. In 1960 it was one of the provincial towns that swung Labour out of office. But since then it has stayed firm with National, even through the 1972 Labour landslide.

It needs only a 3.9 per cent swing for Labour to get it this time. But nobody seems to have it on their list of swingers.

Right man for Gisborne: is this enough for Labour?

by Colin James

ALAN Wallbank is one of a breed the Labour Party badly needs in Parliament: a farmer.

He is also just about exactly the right sort of person to have contesting Gisborne.

Wallbank is devoid of pretension. The overwhelming impression is of a good, ordinary New Zealand bloke. Except that he might be a little on the shy side, he is the sort that can talk the working-man's language easily — conservative and down-to-earth.

He is naturally one of the small people of New Zealand, the sort the high-flying middle-class achievers, with their degrees and knowledge of the finer points of wines, have climbed beyond.

But he also encapsulates a much-admired New Zealand quality: grit. While other young farmers were walking off their farms in his back-country valley, he battled on — and made good.

That made him good material for a modest rise to the middle ranks of Federated Farmers.

But he was a curiosity there. For he had fallen under the spell of Norman Kirk. Another small farmer, Bruce Barclay, Undersecretary for Agriculture in the 1972-75 Government, brought Wallbank gradually into the fold.

Now he has become an important influence in the evolution of farming policy.

He has given up farming to fight the Gisborne seat. But his background is useful. One-third of the seat is rural and, while farmers are never going to vote Labour in large numbers, there is scope for some gains among those not overly happy with the Government.

Gisborne itself is already Labour and has been for a long time. National has held seats based on the town for all but three of the 20 years since 1960 by outweighing Labour pluralities in the town with big majorities in rural booths.

But that depends also on a reasonable showing in Gisborne — and, since the 1977 boundary change, the smaller town of Wairoa to the south. Wairoa, too, went Labour in 1978 with minimal Labour organisation there, a factor Wallbank hopes to exploit with an active organisation this time.

For a National MP Gisborne city is not easy going. Conservative, it is, which is a plus point. But it is also isolated, cut off from the riches of Hawkes Bay and Bay of Plenty, out of the orbit of either Auckland or Wellington.

The isolation, made worse by a tenuous hold on air, rail and shipping services, breeds resentment. Since the present Government has little in the way of a regional development policy, there is little to counter the resentment.

There are, however, signs of a rising prosperity to come from more intensive horticultural exploitation of the rich river flats near the city and heavy forestry plantings in the hills to the north.

But this may be coming too late to save National's Bob Bell.

Except that he is a great deal taller and more forcefully spoken, Bell could be taken for having come from the same mould as Wallbank.

Pleasant, straight, fair and unspectacular, Bell has earned a good reputation as a local MP.

I can vouch an example of his even-handedness. Before I called into Gisborne I asked him for some names of people he thought I should see. Usually that elicits from an MP a "safe" list of people who can be relied on to say the "right" things. Bell, aiming to give me an overall view, had included in his list some from the other side of the political fence.

Allan Wallbank . . . "find".

Bob Bell . . . conscientious.

Pleasantness, however, is not enough to win elections on. It also needs organisation. And National allowed the assiduous Wallbank to get the jump on it.

It is safe to assume that National will be up to scratch for the campaign proper. But the usual lockout effect of a full National organisational effort on a less organised Labour effort has been outflanked this time.

And, while Bell as a National MP has the inside running with the business community, the usual dismissive attitude to a Labour candidate does not seem to apply to Wallbank. As far south as Wellington the word has spread to National strategists that Wallbank has proved acceptable in those quarters.

Wallbank needs to take only a fraction over 100 votes off Bell to win. That could prove more difficult than it looks if Social Credit were to improve its vote more at Labour's expense than National's.

But Social Credit has not been a great force in the area, recording less than the national average last time. It seems unlikely it will have a great impact on the outcome this time.

Nor, probably, will Values. Gavin McLean, a veteran, is standing again but is not likely to get many more than — if he gets as many as — the 370 he took last time.

Most of those probably came from Labour. If he sheds any, they are likely to go to Labour.

One other factor merits attention. North of Gisborne the Fitzgerald affair is still smouldering, to Duncan MacIntyre's disadvantage in the East Cape electorate.

Will it have a spillover effect on Gisborne? The general consensus is that it will not. But you cannot be sure.

Fickle pickings in 'Fruit Bowl' lift three sets of hopes

by Richard Fletcher

HASTINGS voters have been fickle in making their choice since Duncan MacIntyre lost the "Fruit Bowl" after 12 years tenure in the 1972 Labour landslide.

Since then Labour's Richard Mayson and National's Bob Fenton have both been toppled after only one term.

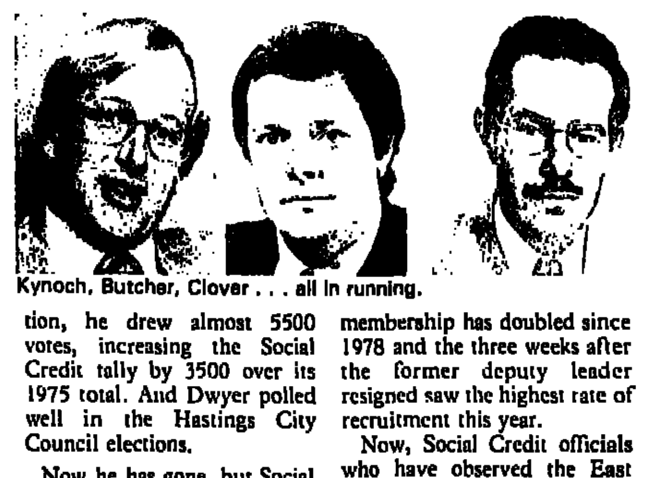
That, in part, is what National's Hamish Kynoch is banking on this November to take the seat back from Labour.

Smartly dressed and a partner in the family farm near Waipukurau 38-year-old Kynoch hails from Takapau. Since his selection he and his artist wife and family have moved to Hastings. A long time party activist and former dominion councillor, Kynoch believes his early selection has given him the time to put in the groundwork and his experience in party office also helps.

Organisationally National is in much better shape than last election with many of the old hands supported by new blood. In the " '78 Shock", when there was some backlash against Fenton, National lost ground in its affluent Havelock North base of support, with votes going to Social Credit's Jeremy Dwyer. National believes those voters have returned to the fold.

While agreeing the higher Social Credit poll in Havelock North could have been a backlash against Fenton, Socred analysts are sure they have stayed with the league.

Many thought Social Credit hopes of a three-way split in Hastings had been dashed after Dwyer withdrew from the race and politics earlier this year. In a whopping increase last election, he drew almost 5500 votes, increasing the Social Credit tally by 3500 over its 1975 total. And Dwyer polled well in the Hastings City Council elections.



Kynoch, Butcher, Clover . . . all in running.

Now he has gone, but Social Credit hopes haven't lessened. League officials point to the 175 per cent increase in support between 1975 and 1978, to 26 per cent of the total votes cast last time. While some of that vote represented a personal following for Dwyer, league membership has doubled since 1978 and the three weeks after the former deputy leader resigned saw the highest rate of recruitment this year.

Now, Social Credit officials who have observed the East Coast Bays organisation at first hand claim the Hastings party machine is as well, if not better oiled for the coming battle, as Garry Knapp's.

But because of his recent selection and his work commitments Social Credit's new candidate, 32-year-old Gary Clover, has not been able to spend as much time in the electorate as his opponents.

A librarian and archivist turned teacher, Clover contested Papanui for the league in 1978 and was involved in Auckland University's Social Credit club with Dwyer. That is where the similarity ends, say league officials.

Clover is more of the door-knocking type, though his backers reckon he needs more public meetings for greater exposure.

Clover began fulltime campaigning only last week, but this has not lessened his optimism.

To some extent, both National and Social Credit look to past voting patterns as one guide to the chances of sitting Labour member David Butcher after November 28.

Butcher doesn't put too much store on his two immediate predecessors' defeat after one term, with some reason. In 1972 and 1975 Hastings changed hands in elections that also changed the government. That did not happen last time. Both Mayson and Fenton got offside with sections of the community. Though Butcher may have lost some support over the Springbok tour, the general feeling in the electorate is that he has done a good job for Hastings.

And Labour workers are in better heart than when he took the seat in 1978, though Butcher concedes that membership is down. For the first time in years Labour has a permanent office in the electorate.

A 33-year-old economist, Butcher is also a local, though he sees that this has drawbacks as well as advantages — people may have known him for years, but some of them may not like him. Another point in his favour could be that local feeling might react against the pattern of recent years and give him another term.

If this happens the next boundary change could contract the seat more on to Hastings city, to include the new housing development of Flaxmere — part of Hastings city proper, but not within the electorate boundaries. That could increase Labour support in the future.

Taupo: maybe they haven't forgotten the tour yet

by Richard Fletcher

TAUPO is one electorate where the Springbok tour might still count on election day.

Feelings in Tokoroa ran high to the point of a pro-tour march earlier in the year and National's candidate, Roger McLay (who was on that march), believes they are still running hot. The town has one of the highest numbers of sports clubs per head of population of any in the country. McLay is 36, good-looking and has some high-powered people helping to market a product they see as "youthful dynamic Leadership" while "a new era" begins. One of the ideas men is former Devco marketing manager Peter Wakelin, who now runs a Taupo car sales concern. Wakelin's marketing skills have meant detailed build-up and publicity material, including a colour leaflet and a good deal of newspaper ads.

National has just set up an office in Taupo and McLay has several times been to Wellington to meet cabinet ministers and get the lie of the land. He has also taken local problems with him, and, back home, he has canvassed most of the country areas with 60 cottage meetings under his belt. He believes his public meetings have been drawing the crowds better than his opposition's.

If Labour thinking is accurate, though, McLay's difficulties could come from another quarter. In his Taupo base of support, they claim to have detected a strong anti-Muldoon feeling which could mean non-voting, while Social Credit picked up support in Tokoroa about a year ago which has now come back.

Labour efforts have concentrated on getting voters on the rolls, particularly newcomers to the area and young people.

For the locals, Labour says unemployment, rather than the tour, is an issue in a town which in recent years has become much more established.

Another ace in the Labour hand could be the Polynesian population. A recent court decision on overstayers could mean some local workers who kept a low profile will register to vote.

Then there is the sitting member "Gentleman Jack" Ridley, who is very much a part of the local scenery. A former engineer involved in the Benmore hydro developments he came back in 1978 after three years "out in the cold". His background gives him a feeling for an area which relies on electric power generation and timber as major sources of employment.

Much of his work as MP has centred on the timber industry. As shadow minister of works and energy he also has a high national profile and his strategies for local and national employment and works feature in his campaign publicity.

Taking something of a back seat, albeit a perceptive one, is Social Credit's Jim Elder, who has lived in Tokoroa since 1949 and is a mem[ber of] the local borough coun[cil].

He is very aware [of the] changes the whole dis[trict] has seen over the [years], especially the way Tokoroa [has] become more establish[ed in] population and outlook.

He looks to the incre[ased] Social Credit support [of the] past two elections and [sees] good pickings for the [party in the] short and long term.

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Labour's candidate Andrew Rae was known by only one-sixth of respondents — and even by only one-third of those who said they had made up their mind to vote Labour.

And independent Wilf Holt was known by only 10 per cent.

What reasons did the respondents give for their voting choices?

National supporters went particularly for their leader, Robert Muldoon. Just under one-third (29 per cent) gave him as one of up to three reasons for their party choice. By contrast only 3 per cent mentioned Social Credit leader Bruce Beetham.

After Austin and Muldoon, National supporters tended to be rather vague about their reasons for voting that way, mostly expressing general satisfaction with the policies (15 per cent) or performance (15 per cent) or saying that they had always voted National (7 per cent).

Seven per cent mentioned private enterprise ... cent that it was "[good for] farmers".

But 7 per cent thought ... the "best of a bad lot" ... per cent said they had "[no par]ticular reason" for [voting] National.

Nearly half (44 per ce[nt]) ... they were supporting ... to support Social [Credit] because they did n[ot like the] other parties.

And nearly one... cent) said it was ... change and new...

One-eighth (13 per ce[nt]) ... they were attracted ... Credit's policies.

And one-fifth (20 per ...) gave the monetary p... reason.

Agricultural 'Network NZ' proposal draws interest

by Stephen Bell

THE country's primary industry bodies are becoming interested in setting up their own "Network New Zealand".

This would be an improved information-gathering and communication facility to help the agricultural and financial sectors and Government to collate and exchange information quickly and without duplication of effort.

The original impetus for the plan came from Federated Farmers, already seeking to set up a computer facility of its own.

Deciding to "pick the brains" of the State Services Commission on information processing and communications, Federated Farmers representative Alan Lewin met a "very warm" reception.

The Agricultural Training Council was brought into the discussions and the idea germinated into a broad look at the role of information in primary industry.

It was plain, said Lewin, that information was becoming a commodity in its own right, as material and saleable as the more traditional resources needed by agriculture.

He pointed to the Temuka foot-and-mouth scare as an example of the potentially disastrous consequences of inefficient communications.

As it was, the parties trying to monitor and diagnose the outbreak were constantly being caught on the back foot for lack of detailed and prompt information; if foot-and-mouth had been confirmed, the information shortcomings would have been that much more evident.

Not only would diagnostic information and ordinary communication between farms and central authorities been critical; but "we would have had to start finding answers to all those 'what if' problems; What if millions of dollars-worth of export orders had to be cancelled? What do we do?", asked Lewin.

In the process of trying to build a "model" of the required information resources and flows, he found a good deal of enthusiasm coming from other organisations and this culminated in a meeting late last month.

Not only the expected primary industry bodies sent representatives. The meeting also attracted the interest of Foreign Affairs, the Reserve Bank, the Bankers' Association — and the Commission for the Future.

Gerald Moriarty, co-ordinator of the commission's *Network New Zealand* report (*NBR*, October 5 and 12), pointed to the convergence of some of the commission's views as expressed in the report, and those of the meeting.

The "grave shortage of information" to support local primary industry applied not only within New Zealand but in an international context, Lewin told *NBR*; so he was pleased to have Foreign Affairs represented.

Potentially useful overseas information ranged from market data and background on political situations to straightforward items like exchange rates and the names of people currently holding office in overseas bodies.

An information network extending into the farms themselves would not be before time, since farmers are already considering purchase of their own computers, with clear potential for hooking into the network, Lewin said.

The Ministry of Agriculture and Fisheries is already thinking in this direction with the set-up of its own information network based on five linked computers and terminals available to farm advisers. It, too, has raised the possibility of communication direct with the farmer.

With pictorial tools such as high-resolution graphics and document facsimile now available, it would be possible, in the case of another suspicious disease outbreak, to present the symptoms direct to farmers in visual as well as descriptive form, Lewin suggested.

The information model is as yet very sketchy, he said, and there are clearly many hurdles to be overcome. The question of possible slackening of Post Office regulations to allow third-party provision of communications service has been identified by both the primary industry meeting and the commission report as critical to the future development of networks.

While the banks were willing to provide financial information, there was the awkward question of their competitive situation to be considered.

The parties to the September meeting will be studying the Commission for the Future report with interest, and plan to meet again early next year.

Discussing *NBR*'s comments on the report, meanwhile, Moriarty pointed out that the suggestion that practical implementation of *some* service begin as soon as possible coincided with the commission's thinking on the early set-up of "demonstration communities".

The agriculture sector might prove to be an ideal "demonstration community" of this kind.

The basic concepts of database management: much more than updating the old-style filing cabinet

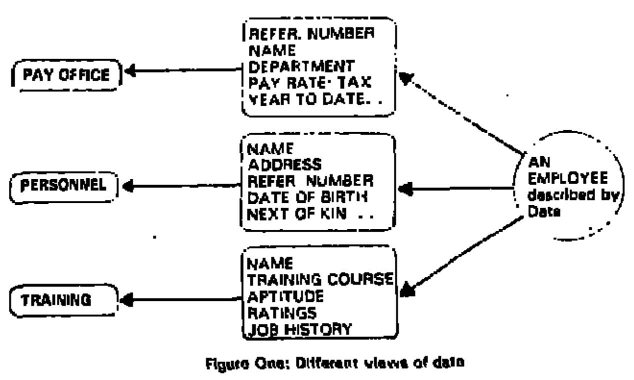


Figure One: Different views of data

The computer industry has achieved phenomenal growth in the last two decades. It has developed technologies of information processing that were inconceivable even in the very recent past. Inevitably, it has coined new words to describe such activities, and these words are often meaningless jargon to the uninitiated. Peter J Melhuish, reader in business information systems at Massey University, in this article looks at one of the most widely used, yet poorly understood of these concepts, that of "database". The main question to be answered is "what is the most natural and useful way to store data?"

TRADITIONALLY, storage of information about "things" in a business has been based upon the need of one or many individuals to access the information.

Figure one shows how three separate departments may wish to hold and view information about one "thing", in this case an employee.

Clearly, the views are different, yet much of the information is the same. Not only will the needs of the various departments be different, the data will be held in a sequence that is appropriate to the main users of the data, and the files may in fact be virtually inaccessible to any other department.

Although such an arrangement may seem perfectly reasonable, there are a few problems:

- Duplication — many pieces of information are stored in more than one place: this is usually inefficient and almost always error-prone;.
- Inconsistency — data held in more than one place may well be different: it is virtually impossible to ensure that multiple copies of the same information are always identical;
- Accessibility — access to the data of one department may be denied to staff in an other department: indeed, others may not know that such data exists;
- Ease of use — most files have only one "key" providing access to the data. In the "employee" example, access could be based on either "reference number" or "employee-name" or "training-course", whatever was required by the persons setting up the original file: that one key will certainly not satisfy all the potential users;
- Limited views — files are fairly watertight compartments: it is usually quite complicated to go from a record in one file, to a related record in another.

So the lesson here is pretty obvious. What is a sensible way for one person to hold his/her filed information is not likely to be generally acceptable by the organisation as a whole.

In the early days of computer usage in the business world, solutions were developed for users in isolation. Files tended to be very similar to those manual piles of data that the computer system made obsolete. Indeed, early methods of storing such files did not allow the analyst much choice.

Computer technology merely solved the same problems, in the same way, but at much greater speed of processing.

But what has changed?

Briefly, computer capacity has increased enormously over the last few years. Machines can now store virtually limitless quanatities of information. (Some of the larger systems can retain well over a 1000 million characters of information in their memories; this is equivalent to perhaps 2000 fair-sized books, needing all the wall space of a four-metre square room for shelf storage.)

Computer systems are now routinely delivered with many terminals, providing ready access to the data that is held in the machine. Users of such systems do not easily tolerate the restrictions of the old ways of holding and processing data.

There is a wide and growing acceptance of the idea that information is an expensive resource, and that this resource should be available to any who have a legitimate need for it.

What would be an ideal solution?

Imagine an "information store" quite unlike the normal set of filing cabinets. The information is stored in some methodical way, but most of the users are not at all concerned with the details of how it is done.

Reliable systems ensure that the data is kept in a consistent and up-to-date manner. Users of the information are allowed a variety of "windows" through which they are entitled to view the data.

The store is essentially limitless. All the data that may reasonably be expected to be of use is available.

The data is secure. No one has access to any data to which he/she has no authority.

There is minimum redundancy of data. Wherever possible, data is only stored once (for example, there would probably be only the one set of "employee-name" held in the system).

All access to the "information store" is disciplined. There may even be a sort of comptroller of the data, a sort of umpire to see fair play.

Generally, access to the system would be available for 24-hours a day.

This appears to be a sort of filing utopia, an ideal but unrealistic situation. In fact, many organisations in New Zealand are working towards such an arrangement. They are doing so for sound economic reasons — availability of information on this scale gives them a real competitive edge.

Of course, database technology is an essential component of such a scenario.

What then is a database?

A fairly standard definition of the technical term "database" would be along these lines:

A collection of elements of data stored together with *minimum repetition*, serving *many users* of *differing systems* all of whom have to obey a *set of rules* to store or retrieve information; users are allowed differing *views* of the data that is stored; user views of the data, and the actual storage of the data are *independent*, that is, either can change without affecting the other.

Apart from that rather technical description, readers should remember at least three other characteristics of databases . . .

- They are normally large, and therefore are usually limited to fairly large computers;
- Access to such systems is usually through terminals, often located in the user departments: normally giving responses to user requests in well under five seconds; and
- Communications between the users and their data is achieved by a highly complex piece of computer "software", termed a "database management system".

It is the database management system (abbreviated inevitably to DBMS) which provides all the facilities that are included in the definition of a database system.

It is a matter of some regret to potential purchasers of database management systems that there is no generally agreed standard for such products. A sort of *de facto* standard does exist, but many of the major vendors have never accepted it.

The reality of the current situation is that a database developed on the machines of "Vendor X" will be very difficult to transfer to "Vendor Y", or any other supplier.

Database in action

The real-life design of a database is a skilled, detailed and time-consuming activity. The design must satisfy the current and the projected information processing needs of the organisation. The role of the designer is complex, both from a technical and a managerial point of view.

The following example is a rather simplified version of an actual database application.

Consider the problem of recording information about the holdings of a library.

The main 'thing' about which we need to hold information can be called "books". The details that we will hold are not of much importance to this exercise, but clearly they would include:

- Author
- Title
- Publisher
- Edition and year of publication
- Reference numbers of many sorts and a great deal of similar information.

The really important question to us at the moment is: "What sort of access to this information is needed?"

There are two major difficulties for which the database approach provides handy solutions:

- Multiple inquiry routes — Access may need to be via author or title or reference number — This problem in manual systems requires the maintenance of a number of manual card files, with predictable costs and problems.
- Association of books with subject areas — This involves the maintenance of lists of "keywords", with some complex mechanism for keeping it up to date. Hopefully, such keywords allow questions like "what books are there on Serbo-Croat anthropology?" to be answered fairly readily.

Figure two (actually the outline of a bibliographic system developed by the Business Computer Systems Research Centre at Massey University) illustrates the way that a database system can be used.

The actual information on each title is stored only once.

Access paths (or windows) are provided in the diagram, by author, title, and reference number.

Continued Page 40

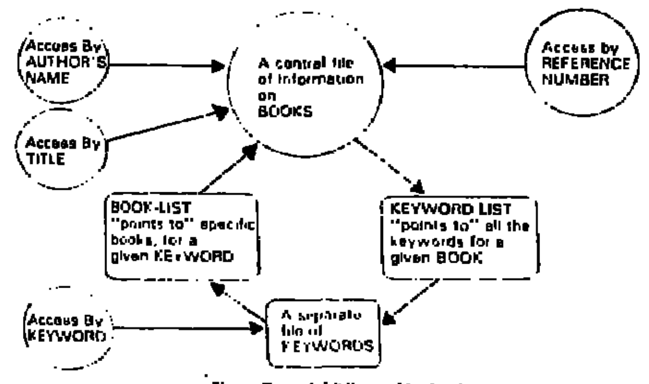


Figure Two: A bibliographic database

DATA PROCESSING

Computer industry

Marketing now key for new-look ICL range

by Stephen Bell

A GOOD deal of marketing reorientation will be needed by the local branch of ICL to handle the new expanded range of equipment, newly-appointed marketing manager David Beasley admits.

But in the face of such a broad new ICL repertoire, rival manufacturers too "are going to have a look carefully to their marketing," Beasley said.

"We will be going into market areas we haven't been competing in directly before," he acknowledged, "but we will have a more total solution than those who've been in (these markets) for longer."

The troubled British computer company's grand plan was officially unveiled to the local audience at the ICL users' conference in Rotorua last week.

As long expected, the accent is definitely on distributed processing, or as ICL describes it, "integration" of a wide range, from microcomputers to "supercomputers", rivalling IBM's latest H series.

Among products slated for future release is ICL's "first real entry into the personal computer market."

British managing director Robert Wilmot said that with ICL's new collaborative strategy, "we know where we are going and we know how we're going to get there."

But the job is clearly going to be persuading customers that ICL *will* get there, and convincing the local users, in particular, that ICL New Zealand has the resources to support ventures into so many different fields.

Wilmot may see a coherent path in the new plans, but to the outside observer, it looks a little like the man who "leapt on his horse and rode madly off in all directions."

Included in ICL's directions for the future are: distributed microprocessor, mini and mainframe networks, with tentacles reaching for the first time into the "automated office" market; filling in and extension of the existing 2900 series of medium and large machines with the help of components from Japanese market leader Fujitsu, and a Fujitsu-backed attack on the large-machine IBM-compatible market.

Initial local emphasis is on ICL's Distributed Resource System, based on a range of microprocessor-based models, attacking both word-processing and data-processing markets.

The company has moved straight into the emerging field of linking micro-based equipment with a "local area network" communications discipline, allowing several of the various-sized processors to be distributed around a suite of offices. Initial speed is a slow 1 Mbit/sec, as noted last week, but a ten-fold increase is planned.

Initially, there are three DRS models, the Model 10, 40 and 50, but more will obviously be added to the range later.

The 40 and 50 are floor-standing "small business" machines in the $11,000 to $14,500 range, the former equipped with two million bytes of floppy-disc storage, and the latter with 16 Mbytes of fixed "hard" disc store.

The Model 10 is a desktop workstation, with local data processing capability and word-processing software.

While the "office automation" aspect of the range attacks a market already well bitten-into by the likes of Wang, Rank Xerox and IBM, ICL also sees the range as a competitor to the many microcomputer firms now moving into the small business market.

Significantly, the machines support the Microsoft version of the Basic language, widely used on these micros, as well as Micro-Focus' Cobol and the up and coming Pascal language.

Here, ICL sees itself holding the trump cards. Many of its rivals are offering only stand-alone micros, or have just begun to explore networking among micros. ICL points out that it can already offer a fully networked micro and mini range, with access back to its mainframe computers if needed.

The user, said Beasley, "can choose the size of the building bricks for the system."

The network links among DRS processors are provided, as indicated last week, by a specialised local area network communications discipline. But a DRS network will be able to link, through a Model 50 "primary node", into ICL's standard 2900 communications architecture.

While ICL likes to paint the whole range as an "integrated network, there are bound to be some user doubts over the efficiency of the interface between the LAN and the standard communications discipline, something which will only be proved in practical use.

The Japanese-aided venture into IBM-compatible machines is the real curiosity among ICL's plans.

The business of making cut-price machines that look to the user as much like IBM hardware as possible is already a popular and competitive field, with some of the strongest effort coming already from ICL's backer, Fujitsu, on its own behalf.

ICL plans release of a powerful IBM-compatible machine, manufactured by the Japanese company, but carrying the ICL name. Local ICL spokesmen see even this machine fitting in with DRS, through support of IBM's communication standard, SNA.

DRS "building blocks" would be able to surround an IBM or IBM-compatible mainframe, Beasley pointed out.

But again, on a marketing front, the local company had not had a chance to lay down marketing plans clearly for an IBM-compatible venture.

Fujitsu's support and participation by American companies Intel and Three Rivers Computer Corporation at the small end show a trend to overseas co-operation which will continue to figure largely in ICL's future.

Research and development effort, say the local representatives, will be concentrating in future on software development, rather than attempting to "redesign" hardware already available from outside sources.

Increased sales volume is confidently expected to compensate for any shortfall in work at the ICL factories.

Database management

From Page 39

If the inquirer knows the actual keyword, then the system can retrieve all the titles in the database that have been coded as having that subject.

Similarly, if a given title has been selected, the inquirer can discover what other subjects are referred to in that book.

Although it has been omitted from the diagram, it is simple to add a facility to store information from the abstract of the book, giving more facts concerning the title under scrutiny.

Database systems provide a good deal more than attractive access routes to complex piles of data. Among the powerful additional features may be . . .

- Direct communication with the end-users, with simple-to-use "query" languages;
- Security and authentication — it's easier to keep guard over an expensive resource when there is only one "gate" into the data;
- Integrity and recovery — it's vital to ensure that if the system fails for any reason, no data is permanently lost, or damaged.

Database systems are clearly expensive to buy and to maintain. Computers of substantial power are needed, to ensure reasonable performance.

Yet such systems provide a more natural way of storing and retrieving the company's information resource and that may well be of vital importance in the future.

SPECIAL REPORT FROM DATAPOINT

DATAPOINT

Issue 1 October 19, 1981 Published by Datapoint Corporation Pty. Ltd.

Datapoint Corporation takeover is completed

DATAPOINT Corporation of the United States has now completed its previously announced takeover of the Australian Sigma Data Corporation, for an undisclosed sum.

Under the terms of the agreement, Datapoint acquired 90 per cent of the shares of Sigma Data, while 10 per cent of the shares remain with the company's previous Australian shareholders.

Although the name of the company has been changed to Datapoint Corporation Pty. Ltd., the previous Sigma Data name will be revived in an unrelated company dealing in non-Datapoint products.

Datapoint Corporation manufactures, markets and supports an extensive line of integrated business information systems providing data processing, word processing, voice communications management and electronic message services. The company reports that more than 30,000 systems are installed throughout the world.

"We see the acquisition as a very positive move for all parties concerned," said Robert Kaye, newly appointed Managing Director of the new Datapoint subsidiary in Australia.

"Datapoint maintains one of the strongest research and development teams in the industry and an extremely strong high-technology office product line that probably surpasses any of its competitors in range or facilities.

"We feel that, coupled with our management, sales and support experience, Datapoint will continue to maintain its very strong position in the local marketplace."

The new Datapoint Company is maintaining major sales and support centres in Sydney, Melbourne, Canberra, Perth, Adelaide, Brisbane, Auckland and Wellington. The company, numbering over 240 employees, includes management, sales, field engineering, and support personnel.

Datapoint will continue to support an extensive installed user base of large distributed computer systems and voice communications management systems in industry and government sectors throughout Australia and New Zealand.

Robert Kaye

Opposition pipped for future SIO contracts

A MAJOR "coup" has been achieved by Datapoint Corporation, which has just won a large pilot contract for computers for New Zealand's State Insurance Office. The implications of the order are that Datapoint Corporation — which previously adopted a fairly low profile — could become a major force in the future in the provision of networking computer systems.

The contract, for which Datapoint was finally shortlisted, was won on the basis of Datapoint's advantages and experience in distributed data processing and the ability to deploy a network of connected computers and terminals, operating under the IBM SNA protocol. In addition, the Datapoint bid exhibited significant price performance benefits.

Because of sharply rising costs in the relatively labour intensive insurance industry, the SIO intends to use its new Datapoint system to both speed its operations and to eliminate a vast amount of existing paperwork.

However, another major advantage provided by the system is the opportunity for the SIO to increase its potential to provide an improved service while reducing its overhead costs.

The organisation will now be able to become much more client oriented rather than policy oriented. Distributed processing with Datapoint will eliminate the need to run many restrictive, centralised batch system operations at the New Zealand Government's Cumberland computer centre.

Under the new system, when an SIO customer enters one of its offices, an employee will be able to pull up a complete profile on that customer, which shows all of his policies with the company. This will ensure that the customer is given the best possible service and advice regarding his insurance needs, as well as to deal with the prime reason for his visit.

The Datapoint system to be supplied gives a very high level of flexibility, especially to employees who need to seek details of a customer or of a policy on the basis of very limited information. Datapoint's Associated Index Method (AIM) which operates in an unstructured environment without predefinition of keys, will provide access to a complete database using information of any type or combination.

The pilot installation will include the newly-released Datapoint 8800 processor and the new Resource Management System for control over networking, as well as new ergonomic visual display units. The initial installation will be established at the SIO's office at Palmerston North.

Major 'phone systems sold to travel companies

TAA has purchased a Datapoint Automatic Call Distributor for its Brisbane office which will be the largest Datapoint supplied ACD in Australia. It is also believed to be the second largest in the world.

The ACD is a telephone management system which ensures that incoming calls are distributed evenly among telephone agents. Similar systems have been installed by TAA in Perth and also by Avis in Sydney.

The new TAA system in Brisbane will comprise a five processor ARC system with 131 trunk lines and 101 agent answering positions.

Already, in the brief period since Avis installed its ACD, the company has experienced a major surge of business, much of which it attributes directly to its Datapoint system.

Gary Larkin, Avis National Sales Manager, said that before installing the ACD, Avis had looked at its reservations system and realised that it was inadequate for "tomorrow's needs".

He said, "Infoswitch/ACD provides us with a management and research tool which even now, we are still learning to use to the greatest advantage.

"When Infoswitch was first installed, we were horrified to discover the abandoned call rate was running close to 40 percent. Adjustment of staffing levels quickly cut this to 18 percent. Now we are confident that we will shortly be able to reach our targeted rate of between two and three percent.

"Previously, we knew we were losing calls, but had no way of knowing just how bad the situation really was.

"Research has shown that reservations is our most important sales area, because the majority of people tend to talk to us first through the 'phone. Under Avis' old reservations system, our telephonists simply didn't have time to be sales people,"

Gary Larkin said that so far this year, with the installation of Infoswitch, Avis has achieved an 18.7 percent increase in reservations made through the 'phone system. There has been an extensive publicity campaign to boost Avis' share of the growing market. However without Infoswitch/ACD, the company would not have been able to capitalise on, or even cope with, the higher enquiry rate.

Expansion plan for New Zealand

THE announcement of a major contract with the New Zealand government heralds Datapoint Corporation's bid to play a far more prominent role in New Zealand data processing.

According to Datapoint's New Zealand manager, Eddie Tracey, plans for the company's expansions are already well under way.

Currently, Datapoint has sales offices in Auckland and Wellington, engineering services in Auckland, Wellington, Christchurch and Dunedin, and software support services in Auckland and Wellington. The company supports over 140 users' installations nationwide, from Whangarei in the north to Gore in the south, as well as in remote areas such as Westport and Wairoa.

Relocation of the company's head office from Auckland to Wellington is planned for early 1982, with a new sales office to be established in Christchurch later in the year. In addition, new engineering offices in Palmerston North and Hamilton, and improved facilities in the South Island, will enable Datapoint to provide the national support services essential to the success of the large networking installations the company is planning.

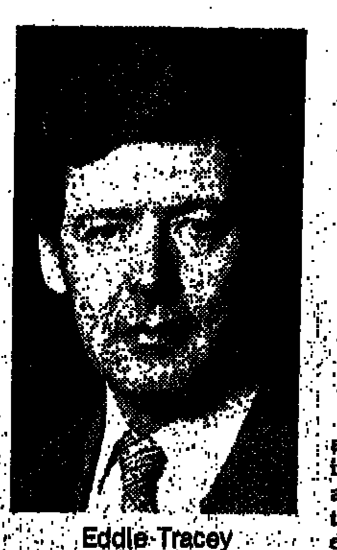
Tracey said Datapoint New Zealand would be following the formula evolved by marketing strategists at Datapoint. This formula has already proved immensely successful in a highly competitive market.

Over the past few years, the company has not set out to respond to market 'whims', nor has it sought to counter competitive announcements or products.

According to Philip Michôd, Datapoint National Marketing Manager in Australia and New Zealand, the reason why it has enjoyed dramatic success within the markets it has chosen and with the products it has created for those markets, has been that it has followed its own assessments of the market direction.

Michôd said that Datapoint in Australia and New Zealand would adopt five key marketing directions to further secure its place in its markets.

These directions, which complement Datapoint's products strengths are:



Eddie Tracey

- To promote the Integrated Electronic Office to large companies and government;
- To build computer networks that communicate with foreign or Datapoint hosts;
- To protect and develop the existing customer base, consisting of 1100 sites worth approximately $80 million.
- To emphasise selected discrete, vertical markets — in particular the club/hotel, motor dealer and travel industries, the legal and accounting professions, and library systems;
- To provide in two ways the hardware and operating system software to independent organisations developing for sale their own software applications

— Firstly via Resellers who are typically relatively small software houses who operate under the Datapoint umbrella; signing the third party order on a Datapoint contract, and with Datapoint seeking responsibility for the debt.

— Secondly via Agents who are large volume retailers who add substantial value with their applications software to the Datapoint hardware, operating system, and communications networking product lines.

Senior sales personnel assisting Tracey in New Zealand include David Bell in Auckland and Michael Garvie in Wellington. Doug Stewart heads the engineering division.

Group splits, then three new products

WHEN Datapoint Corporation of San Antonio, Texas moved to acquire its previous distributor in Australia and New Zealand, the management of the new subsidiary had to face the significant challenge of maintaining sales growth and support levels whilst effecting the dissection and consolidation of the company.

However, after dramatic changes and months of intense activity, Robert Kaye, the recently appointed Managing Director of Datapoint Corporation, believes that this inaugural phase is now complete and the new company is functioning effectively and smoothly.

It has been a hectic first few weeks for the new company, for apart from consolidating the new company in Australia and New Zealand, Datapoint's executives also found time to introduce three major products, all of which represent radical advances — especially in the area of communications technology. This introduction was achieved through carefully formulated launches in key cities throughout Australia and New Zealand.

Robert Kaye said that one of the dramatic changes of the new structure was the significant change in the relationship of the local company in Australia and New Zealand with Datapoint Corporation Inc. in the United States.

"Until the acquisition, we were effectively the distributor of a distributor. Previously, in Australia and New Zealand, we bought our products from the giant American corporation TRW, which represented Datapoint in international markets. Whilst this proved a successful relationship, and TRW did attempt to provide support services to its international outlets, their capability and reaction could not parallel those of the manufacturer themselves.

"This was complicated by the fact that Datapoint in the United States operated primarily in the United States domestic market and was not chartered to provide substantial support direct to the international network," he said.

"Datapoint now has a very substantial interest in the company in Australia and we have seen a steady stream of executives and support people coming from its headquarters in San Antonio, Texas, to look at our operations and to see what support we need.

"Even in a relatively short period we already feel part of a dynamic global entity with the ability to call on significant overseas resources and expertise. They have been very responsive to our queries and requests particularly regarding the provision of a high level of marketing support," he said.

Many major companies in the United States are already Datapoint equipment users. This factor was now "spinning off" to the company in this part of the world, Robert Kaye said.

"We expect an upsurge in activity for Datapoint among the multi-national corporations which operate in Australia and New Zealand.

"A large number of these corporations have well-established distributed networks in the United States. These companies are starting to appreciate that by installing Datapoint equipment overseas, they can use international telephone circuits to tap their information sources throughout the world, as well as providing unparalleled communications and consolidation facilities," he said.

Robert Kaye said that the change in Datapoint's status had also lifted the company into a much higher status as far as many of its important current and potential customers were concerned. Many of them wanted to deal directly with the manufacturer, rather than with distributors.

"Notwithstanding the status of the Sigma Data Corporation as one of Australia's top ten computer companies in size, structure and accomplishment, some potential customers viewed the situation as "temporary".

"This was because they felt that any agent, no matter how substantial, could lose its representation for a product.

"Now, this final objection has been overcome. Today, Datapoint is here with a vested interest as a manufacturer.

"However, it also has the significant advantage of having many of the same management team and the same technical support facilities which have been responsible for launching and developing its name and reputation in this country over the past seven years.

"These factors are giving the company an extremely high profile in the marketplace," he said.

Robert Kaye said that the new company had been launched into the local marketplace at a time when its product capability in networking and the Integrated Electronic Office was being recognised as being able to establish it as a market leader in these areas, and the company was poised to capitalize on this position.

Datapoint releases the powerful 8800

RECENTLY, Datapoint Corporation introduced its powerful new 8800 processor and a new operating system which it has designated the RMS (Resource Management System).

RMS software and the 8800 greatly enhance Datapoint's ARC (Attached Resource Computer) concept. The ARC concept gives all the users of a local coaxial computer network the power to share its resources, without having to worry about complex programming and interfacing details.

An RMS-equipped 8800 offers the user an unparalleled combination of advantages.

These include:
- vast growth potential;
- efficient hardware operation;
- ease of programming;
- a shared resource operating approach that allocates computer resources (processing power and peripherals) to fit specific business requirements;
- user control of the processor environment and
- as many levels of computer security as required.

The two new products are geared to provide economical incremental growth, while ensuring that growth can occur without constant and expensive reprogramming.

Their shared resource assignment capabilities allow efficient control of peripheral devices and give the user complete software control of the configuration and reconfiguration of the computer network.

"RMS software and the 8800 give the user unequalled freedom to configure a business computer to meet his unique requirements," said Ed Gistaro, Executive Vice-President for Corporate Development in the U.S.

"For example, suppose you had a large payroll office with several clerks requiring simultaneous access to the programmes and data.

"With RMS software you can put 'non-intelligent' terminals on their desks, serving as full function multi-language and multitask workstations. The resources the users need can be anywhere in the ARC network, regardless of physical location.

"When your company needs more computing power, you can add it simply by attaching another resource, without any reprogramming. This feature alone will make your programmers far more efficient.

"Nowadays, if a business computer isn't easily expandable in terms of processing power and functionality, it's obsolete," Gistaro concluded.

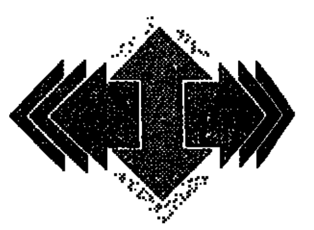
Each 8800 can have up to one million bytes of main memory, with up to one billion bytes of on-line disk storage.

An important feature of RMS software is its shared resource capability that allows "non-intelligent" terminals to perform every task support by the software.

Whatever memory, processors, data or other resources are necessary can be allocated to the terminals by the RMS software, as needed. They can be reclaimed when the job is completed.

New RMS operating system is introduced

DATAPOINT Corporation has unveiled a new operating system that combines powerful resource management capabilities with a full range of software utilities and multiple high level language support.



Called the RMS (Resource Management System) operating system, it is said by Datapoint to be unique in its ability to share resources. It may operate in a stand-alone or in a multi-processor ARC (Attached Resource Computer) environment (a local coaxial cable network).

Within either environment, the RMS software takes advantage of all available computer resources, locating and assigning the required processing power, memory and peripherals needed to complete a particular computing task.

The new operating system also offers multi-tasking capabilities, plus greater disk data compression, large disk files, faster programme loading and a virtually unlimited number of file names on a single disk.

The user can define the necessary security requirements utilising hierarchical levels of security.

With RMS software, it no longer matters whether a particular workstation is an intelligent or "non-intelligent" terminal. Every workstation can perform every function supported by the software, be it data processing, word processing or other functions.

Regardless of the processing need (memory, languages, storage), RMS software will manage the allocation of resources from whatever is available within the user's particular equipment configuration. A business' entire computing power is available to every workstation.

RMS software greatly enhances the capabilities and capacity of Datapoint's popular Attached Resource Computer system. In an ARC environment, users can share the available resources without having to be concerned about complex programming tasks to control those resources. Additionally, extra computing power can be added simply by attaching more resources (processors, disks, etc.) to the ARC network. Processing can begin on newly added resources (processors and peripherals) as soon as they are connected.

With RMS software, an ARC network user can configure the system to meet specific needs, and the resources of the ARC network can be shared at all appropriate levels. For example, the user can have a workstation in his office attached to a processor in the basement, which is using disk files in another building and a printer across the hall.

Because RMS software handles all of the interfacing details, the user does not need to be concerned about the physical location of the devices. Resource access is "transparent" to the user, making operations easier and faster to execute.

Each user and each data file will be assigned any of 10 levels of security. If the user's security level is not equal to the security level of the file, the user will not be able to access the file in any fashion.

With these facilities in place, both resources and sensitive information are shielded from unauthorised access.

"The Resource Management System software has been designed to improve with age," said Vic Poor, Datapoint Executive Vice-President for Research and Development. "As powerful as it is now, RMS software has the additional advantage of being able to incorporate whatever languages or new equipment Datapoint may offer in the future, without forcing the user to redesign his configuration or his application programmes.

"A user can begin with data processing and add word processing and electronic message services without impacting on-going operations and without being forced to replace equipment or go through costly reprogramming efforts."

Special Advertising feature — Datapoint Computers

The PABX takes a totally new form

Datapoint's ISX launched in N.Z.*

DATAPOINT Corporation has just added a powerful ISX Information Switching Exchange to its family of integrated electronic office products.

With the introduction of the ISX Information Switching Exchange, Datapoint executives say the company becomes the first electronic office vendor to offer both a digital voice/data private branch exchange (PBX) and local networking for use in an integrated office environment.

The ISX, a highly sophisticated "third generation" PBX, allows its user to efficiently communicate a combination of voice, data, text, facsimile, graphics and other digitised information both within and beyond the local information network. The information can be located in one building or spread out among several buildings.

Dan A. Hosage, Vice-President and Group Executive for Datapoint's Office Systems Group said that on one level, the ISX was a very powerful and complete business telephone facility, offering its user many time-saving and cost-effective features.

"When coupled with Datapoint's Attached Resource Computer (ARC) local coaxial network, the benefits derived by the user are even more impressive.

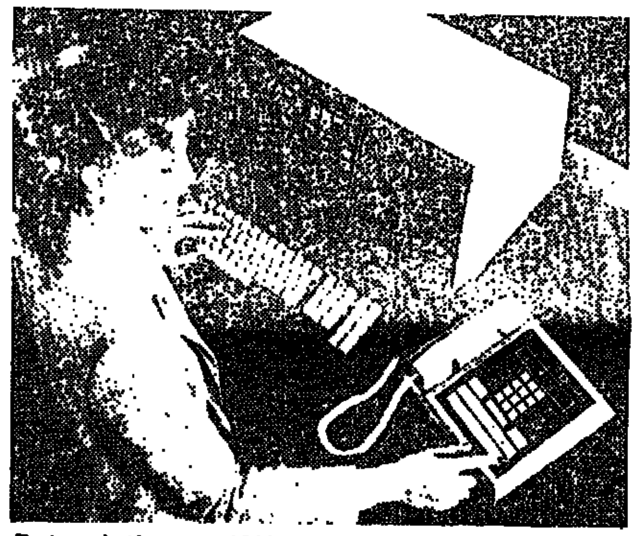
"For example, users can use both coaxial cable and regular telephone wiring to transmit voice and data not only throughout the entire local area, but to branch sites and offices located around the world.

"Other cost-effective benefits include inexpensive video data terminals for entering and storing information, multi-function data terminals that can be used to enter data for processing or storage, and modular, incremental system expansion to match the growth needs of the business," he said.

A key feature of the ISX is its ability to be used with a wide variety of industry-standard and Datapoint-offered telephone sets and video data terminals. Any combination can be used in the information network.

In its largest configuration, the system is capable of supporting a network that includes any combination of up to 20,000 telephones and data terminals.

"Improved office productivity and lower equipment costs can come only with an "electronic office" that truly integrates the various office functions," said Dan Hosage. "To do this, it is essential that users be given quick and reliable access to the most current information possible, no matter where it resides in the corporation. They must also have the means to communicate that information, in any format they choose, efficiently and economically.



Datapoint's new ISX is the shape of tomorrow's PABX.

*Subject to Post Office approval

"We feel that the ISX, in conjunction with our ARC local network, meets those criteria."

The ARC system, the first commercially available local network on the market, was introduced by Datapoint in 1977. By directly linking processors and peripherals through coaxial cable, ARC allows all users to communicate with and share all the resources — processors, video data terminals, printers, and data storage – employed in the local network.

The ISX takes this one step further, providing the user with the means to readily access and communicate data and voice information beyond the local area or between local networks.

Equally as important, the combination of local networking and digital switching allows a company to use all its processing and switching power more productively.

Additionally, the ability to gear processing and switching power to the user's exact needs enhances the value of each piece of equipment in the system.

Because the ISX can be expanded from a small system serving 100 telephone/data stations to an extremely large network of 20,000 stations, users have the ability to configure a system to match growing business demands.

More power for the Power Board

ONE of New Zealand's biggest electrical suppliers is now upgrading its Datapoint integrated computer system dramatically after three years of explosive growth. Over this period, the Waitemata Electric Power Board has upgraded its Datapoint system from one processor to seven, and it is now considering adding two more.

Serving a population of more than 250,000, it had a turnover last year of $50 million. This was generated from its 120,000 customers in the northern zones of Auckland. Now the Board wants to establish an "integrated information system across all of its operations".

In charge of the transition from paper files to electronic data capture, is the Board's information systems controller, Mr Nobilangelo Ceramulus. He has become a progressive exponent of distributed processing. As more administrative functions and data processing have been fed into the Datapoint system, so the system has been gradually expanded, he said.

Working alongside Mr Ceramulus in the planning of the Board's further computerization has been Singer and Stewart Limited, representing Datapoint Corporation as one of its marketing agents. "I consider that computer terminals should become as essential to the office as telephones and calculators are at present," Mr Ceramulus said.

Nobilangelo Ceramulus

His task is not only to facilitate processing of 3000 bills each day, but also to overcome the communication problems inherent in serving a consumer area of 1400 square kilometres, and with a staff of 550 people in diverse occupations.

The Board's processing power was initially confined to a single 6600 processor, nine screens, a 600 LPM printer and four 25M-byte disk drives. One year later this was modified into an ARC system by adding four more processors and five more screens. Now there are 26 screens and seven processors, and two additional 6040 processors are being considered.

Mr Ceramulus has found the system's "Building Block" architecture adaptive to immediate and changing needs, and similarly the programming has proved extremely flexible. His own pet project is a detailed management diary projected to the year 2000, which he is in the process of refining.

In line with his views on the usage of computer ware Mr Ceramulus sees data terminals eventually being placed on almost all desks. In total, about 120 terminals. At present 85 user numbers have been allocated for the Board's ARC system, representing an average of three users for each terminal.

As well as the add-on flexibility of ARC, Mr Ceramulus ticks off another plus for Datapoint in its Datashare language. He has used this to write a sophisticated system which enables selective access to information while allowing other terminals only certain levels of information. These levels of access can make the same programme appear differently to nine separate users in the Waitemata system.

At the moment processing functions for the Board's Datapoint ARC include power billing, ledgers, stores, payroll, creditors and file costing.

The end result, says Mr Ceramulus, has been more efficient and confident use of both resources and time, also improved customer service.

Dispersed network economies for UPL

by Alan Grant,
Finance Manager, UPL Group

BACK in 1976, UPL changed its complete philosophy on computers, switching its entire business to a dispersed network of mini-computers from its then operational IBM 370/135.

The company has always been operating on a highly decentralised basis, and it was decided to place computers where the work was actually being performed. After a complete survey of available equipment, we selected Datapoint.

The first few installations showed that there were immediate benefits, such as reduced data input costs and significantly improved data accuracy. This prompted us to replace the mainframe — which had been receiving data by Telecom lines from UPL's offices in other cities — and switch entirely to Datapoint equipment.

Today, around Australia and in New Zealand, UPL has 19 Datapoint central processing units, 26 printers and 45 screens. They are installed in 11 factories, seven warehouses and three office locations.

We feel that the scope and the quality of these dispersed data processing systems have given our company a strong competitive advantage. Therefore to optimise operations, we intend to continue to develop the systems that we are using.

UPL runs a business which covers such diverse divisions as Caroma Doulton, Rover-Scott Bonnar, Sebel-Fler, Sebel Town House and Midland Credit Limited. In the last financial year, our turnover increased to $109 million and we made more than $7 million in profit, after tax.

With data processing playing such an important part of the control and management of such a diverse and successful business, we are confident we are following the right path.

We have some very specific philosophies.

Our local managers are totally responsible for the operations of their own computer installations, although all technical development of the systems and amendments are controlled by a small group of experienced analyst/programmers at our head office.

Historically, since 1974, equipment growth has been strong. It is still growing. The compatibility between one piece of equipment and the next has been a significant beneficial factor which has allowed UPL's growth to be matched by the computer equipment available from Datapoint.

There has been no redundancy of equipment. In the long run, this has a marked bearing on data processing costs. Additionally, Datapoint's technical support is sound — and it continues to improve.

Currently, UPL is on the point of installing RMS software, which has just been released. This will give us an enormous increase in our ability to use our facilities throughout the country. We also plan to take full advantage of the new communications networks which will be established in the not too distant future.

Projects in the pipeline

A KEY aspect of Datapoint's development programme in New Zealand is the maintenance of the customer base that it has inherited from the Sigma Data organisation.

According to Managing Director, Robert Kaye, there are more than 1100 Datapoint sites in Australia and New Zealand, with these installations worth almost $80 million.

He said that many of the existing customers were looking at increasing the size and the scope of their installations — including integration of elements of the Integrated Electronic Office.

"Over the years, Datapoint has made sure that all of its developments are fully compatible with existing equipment and systems. This means that even the older and smaller Datapoint installations can be upgraded or expanded easily into, for example, word processing, local networks, message services, etc.

"However, several other really exciting products are in the pipeline. Datapoint will be handling graphics in the near future. Telex interface modules are another development. All of them can be added to existing hardware," he said.

"Some of these developments can be added by customers at an almost insignificant incremental cost," he said.

Citing word processing, Robert Kaye said that there was no longer any need for a Datapoint customer to spend large sums of money acquiring an additional word processing system or expanding an existing word processing facility.

"Word processing can be added to a Datapoint installation merely by connecting multi-function terminals, the required printers, and adapters, and acquiring some software and training. All of this costs far less than buying extra word processors," he said.

"In the past few months, improvements made to Datapoint word processing has made it a very sophisticated product . . . and this has been shown to be correct by an independent assessment of all competitive software which was made by a major corporation in Sydney in the past few weeks," he said.

"This evaluation showed that, for ease of use and operator training, for lack of complexity and for sophistication, Datapoint was the best all round. It is very significant that currently, this corporation is not a Datapoint user," he said.

Special Advertising feature — Datapoint Computers

Outstanding results revealed for Budget rental group

THIS year, the growth of Budget Rent-A-Car's revenue and profitability will be more than 58 percent, according to the company's Managing Director, Bob Ansett.

Turnover from the 6,000 vehicles in the Budget fleet was expected to reach $55 million by the end of the year. Ten years ago, annual revenue was only $1 million, he said.

"Budget has had several years of tremendous growth, however the past three years have been spectacular," he said.

"This extraordinary rate of expansion would not have been possible without a highly efficient and totally flexible computer system. With Datapoint, we have been able to grow, backed by a confidence that the system is able to cope with that growth."

Budget has a strong presence in New Zealand, Fiji and New Guinea, and recently started operating in Singapore and Malaysia.

Today, in Australia alone, Budget has 180 outlets and a staff of about 1,000 people. Bob Ansett believes that Budget is the market leader in the rental car field with 38 percent of the market. Substantially this has been the result of some dramatic major marketing decisions.

Bob Ansett said, "Someone once remarked that big companies don't make small mistakes. You have only to look at the bids that were made to gain entry to Australian airports in 1979 to realise just how easy it is to make major mistakes in the highly competitive field in which we operate.

"We feel that we made the right bid ($3.16 million commitment over five years) because we used the knowledge and experience of our market, plus the information we had, not only of our competitors, but also the comprehensive management information base we had developed with our computer over the previous three years."

Bob Ansett said the company now used its Datapoint system primarily for fleet control, management information reports, accounting and leasing. The next stage of development would take place in November, he said, when an on-line reservations system would be installed throughout the country.

"Budget will be the first car rental company in Australia with a system like this."

Budget decided to computerise its operations in 1977, and selected Datapoint for two key reasons:

- Familiarity; because a number of Budget licencees in the United States used Datapoint computers.
- Flexibility; because using a modular 'building block' architecture it had an ability to expand, no matter what the rate of growth of the company.

"At that time, no-one could have predicted just how fast Budget was going to grow. In two consecutive years, we experienced a real growth rate of more than 100 percent . . . and our Datapoint kept up with the pace," he said.

The reservations system will be linked nationally to Budget's new headquarters building in Melbourne. This building was wired during construction to accommodate 80 terminals.

When the reservations system comes on line it will overcome a rather tiresome system of telephones and telex messages and will also eliminate the possibility of mistakes through incorrect transmission of information.

The Datapoint computer will communicate all notifications to the hiring locations, also ensuring that the vehicles booked are available for use by customers. An extraordinarily high 80 percent of the fleet is constantly in use. The balance includes vehicles being serviced, as well as idle. Fleet control is another task well managed by the Datapoint system.

The central reservations system is extremely simple to operate. The screen displays questions relating to vehicle reservations. Budget staff need only answer these questions to secure a vehicle at a specific time and location.

In fact, the system is so straightforward that, in peak periods, even staff members who don't normally take bookings, can make reservations.

This is especially important at an organisation like Budget, for company policy dictates that all individuals must work behind the rental desk for one day each month to 'keep in touch' with the profile of the company's customers. This is followed right through the management ranks, even to Bob Ansett.

Large A.C.D. order

DATAPOINT Corporation Pty Ltd has won the contract to provide John Fairfax and Sons Ltd with a $800,000 computerised telephone queueing system.

To be operational by late November the system, an Automatic Call Distributor, will ensure all telephone calls are answered strictly on a "first in, first served" basis.

This will speed up handling of the massive classified advertising business of the main Fairfax publication, The Sydney Morning Herald.

Datapoint Corporation Pty Ltd, which traded in Australia as Sigma Data Corporation until that company's recent acquisition by the Datapoint Corporation of the United States, won the contract from six other contenders.

Two factors in Datapoint's favour were its promised early delivery date and the fact its ACD has an "in-line" capability.

This allows callers to bypass the switch by calling direct to any telephone extension in the organisation.

(Reprinted from S.M.H.)

Wall Street recognises Datapoint's potential

ANALYSTS of the New York Stock Exchange regard Datapoint Corporation as a 'blue chip' investment opportunity with significant potential.

During the 'seventies, it emerged as a Fortune 1000 company with a 50-fold growth in revenue (from $5 million in 1972 to more than $318 million in 1980), earnings of more than $34 million and employing about 7,500 people.

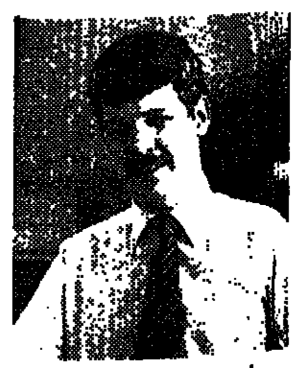
The company has the rare and enviable record of 41 consecutive quarters of earnings and revenue growth.

Since Datapoint acquired control of its own international marketing (previously international marketing rights were held by TRW) the increased revenue from international sales is likely to improve its rankings considerably. The company is now likely to enter the Fortune 500 list, with more than $700 million per annum in revenues.

According to Datamation magazine, Datapoint is No. 21 in the rankings of the top 100 information processing companies in the United States.

Traveland group demands answers

BEING able to cater for the unexpected is just one of the many tasks that the giant Traveland/Vival Holidays organisation expects its computer to undertake . . . and the answers must be right every time.



Jim Dashwood

Company secretary, Jim Dashwood, said that the travel group had programmed its Datapoint computers to deal with what he called 'what if' situations. For example, "What if Traveland tried to put ten of its Vival California tours into Las Vegas at the one time?"

He said that, instantly, the company's travel planners could assess whether there was enough accommodation in Las Vegas (or indeed any other place on the itineraries of the group's huge range of tours), the availability of seats on aircraft, trains, coaches and dozens of other. items of essential information.

"We use our computers as major planning tools," he said. "They are also used for accounts, payroll, cash flow, management reports, sales statistics and reservations. In fact, we were the first wholesale tour operator to develop an on-line reservation system," he said.

Jim Dashwood said that Traveland was organising about 1200 tours a year, each of them having an optimum number of between 35-40 people. The bookings were received from the company's offices and travel agents throughout Australia and New Zealand and processed through the Datapoint equipment installed at its headquarters in Woolloomooloo, Sydney.

To cope with future development, Traveland was significantly upgrading its disk storage — from 100MB up to 360MB.

"The interesting thing about this development is that the new 360MB "Superdisk" hardware will occupy less than a quarter of the physical space taken up by the old 100MB memory. This really shows how computer technology has developed since we first put in our system in 1975."

He said that the computer terminals would be used at point-of-sale to provide instant information about any tours sold by the company. The public would then be getting instant information and confirmations on Vival Holidays and others, where possible.

Jim Dashwood said the company also widely used its Datapoint computers for promotional purposes.

"Twice a week, we bring up to 30 travel agents from all parts of Australia and New Zealand to show them how we set up and process our tours, and how we ensure that our passengers get the service they require. In the training room we have a terminal from which we show how the computer system is used to put a tour together. I can assure you that they come away very impressed," he said.

Computers and society

DATA PROCESSING

Role urged for women, minorities in new technology

by Robyn Hunt

WOMEN and Polynesians want a genuine voice in the social planning associated with new technology. Their concern was clear during a discussion on social change and the micro-technological society at the conference on women and recreation held at Victoria University of Wellington.

Ian Mitchell, a national councillor of the Computer Society and a member of the consultative committee on computers and education, admitted that there were few women involved in the higher echelons of these bodies.

Both he and educationalist Jack Shallcrass expressed the hope that the women's movement, unhampered by rigid hierarchies, would be able to meet the challenge posed by the new technology in a way impossible for the present antiquated political and economic system.

Both speakers considered that social upheaval and change would be inevitable. There seemed to be some doubt among the audience that new technology will bring the benefits the speakers claimed.

Mitchell indicated the breadth of present technology, although he later admitted that the 40 per cent sales tax was still a major problem in introducing computer-based technology into this country.

He outlined the wide uses of the silicon chip, fibre optics, and high technology plastics, ceramics, and adhesives in industry, business, the home, and in leisure activities, listing a dazzling array of products and systems. Most of these, he claimed, were currently available.

Mitchell cited the rapid growth of the digital watch and pocket calculator industries to illustrate the rapid spread of technology. The microcomputer industry was growing in the same way, he said.

Already in the United States domestic computer software was marketed for games such as "Star Wars", costing only 15 per cent more than the price of an ordinary colour television set.

In France Paris telephone subscribers received an electronic keyboard instead of a conventional telephone directory.

Closer to home there was a voice recognition system used in meat grading on the chains of New Zealand freezing works. Another machine would "read" books aloud for blind people.

The problem of deskilling did not go unnoticed. Plumbing was given as an example of a "deskilled" trade, where labour-intensive and skilled brazing of copper pipes could be reduced to simple gluing of plastic pipes.

Unemployment, Mitchell claimed, was more a matter of political management. He quoted the numbers of jobs lost in the private sector, compared with the lesser number of jobs created by the Government.

Social welfare would have to increase, with involvement of many more people in the "caring" professions. As the dole becomes a less socially and politically acceptable term others, such as "job search allowance" would be found to take its place.

Those who suffered most from unemployment would be women and the young. No improvements could be made in the distribution of wealth and jobs until there was a change in the work ethic and a new attitude to recreation, he suggested.

But unfortunately, few concrete ideas emerged on this front.

Computers have negative implications. It is hard for large systems to be "user-friendly", but no organisation should be permitted to hide behind a computer, or a large and rigid system such as those used by Government departments, Mitchell said. Safeguards in the form of tribunals or an ombudsman would be necessary to protect vulnerable social groups.

Mitchell was optimistic about the future, believing that the education made available by new technology would bring more freedom for women.

Home computers would switch lights and power on and off as needed, provide a security system, and automatically control microwave ovens, catalogue recipes, and organise shopping and travel bookings.

Teleconferencing would increase the amount of work done from home, reducing transport costs and pressure, and alleviating urban problems, said Mitchell.

Leisure activities had been revolutionised. There were electronic score-keeping devices, improved laminates for surfboards and skis, and microprocessor-controlled ski bindings.

There was even three-dimensional holography projection for practising golf drives indoors. Games like "Space Invaders" provided co-ordination skills, with part of their attraction being the immediate response.

Opposition was also expressed to the kinds of computerised games available to children here. Some women were disturbed at the number of violent and warlike games of the space invader variety young children play.

Mitchell said that there had been little selection or discrimination yet, as electronic games were so new, but consideration was being given in educational circles to the social appropriateness of such games. He also pointed out the large number of sports-orientated electronic games available which had no overtones of violence.

Mitchell said that while it was possible to predict technological trends, it was not possible to predict human responses, although he saw the ease with which young people are adapting as a good sign.

Shallcrass, reader in education at Victoria University, shared Mitchell's optimism about the future role of technology, believing that the information it will make more readily accessible will deprive professionals of their "witch-doctor" status.

He sees the future in terms of deficit economy.

Economic stagnation, he said, was not merely a short-term phenomenon. To say that we will soon come out of the downturn was simply not true. Present Western society was merely maintaining the illusion of wealth on the basis of the past 200 years of growth culture, which went on expecting that there will be more to be shared around.

At present there was a system of negotiation by which wealth was more or less shared equitably. This did not work in a deficit economy and groups would not agree voluntarily to take less, Shallcross claimed.

Quoting the second law of thermodynamics, and using the generation of nuclear energy and the disposal of its waste as an example, he said that there was always a price to pay in attempting to maintain a growth economy. Those who paid were the less privileged, Maoris, Pacific Islanders and women.

He gave two alternatives for the future. The first was a strong coercive and centralised government which would make people "do the right things", to accept less. But such a government would act in favour of the powerful, and such power, which could be corrupt, could be extended by technology.

The other alternative was, he said, decentralised power, not "Daddy knows best", the ingrained New Zealand habit of "infantilism", an unquestioning acceptance of authority.

Keep it simple and accurate, use the right people . . .

by Roger Oakden

KEEP it simple and accurate, use qualified people and work to a master plan — in short, get it right before introducing a "tin brain" to control manufacture.

The control of manufacturing has been in existence for many years but only in the past 10 years have computers moved into the area — therefore, in developing a computer assisted manufacturing system we must have our order of priority correct; the system basics which do not require computer assistance should be accurate first.

Systems should be kept simple and complemented with intelligent people. However much system suppliers tell you that their latest package only requires walking morons to run it, take no notice.

With the myriad problems in a manufacturing environment there is no way that the whole scene can be systematised. The KISS (keep it simple stupid) sign still needs to be prominently displayed.

Alongside simple systems you require intelligent, motivated, knowledgeable and skilled production planners who can interpret and act upon the massive volumes of data that will pour forth (if you are not careful).

Accurate records are the responsibility of the line and service people who will be the user of that information. Remember, computers handle incorrect data as easily as correct data.

People in production, material control and purchasing can only assume that the data they use is accurate.

When records are wrong it is the production and purchasing people who have the eventual problem of getting out of the crisis caused some time back, often by production people reporting wrong quantities, part numbers or order numbers.

Half the average company's part-number inventory records have "on hand" and "on order" balances which are significantly inaccurate.

The master production schedule is *a realistic, detailed, manufacturing plan*, for which all possible demands put upon the manufacturing facilities have been considered. This, too, should be in existence long before a computer system is installed.

The process begins with a production plan stated in general terms, agreed to by senior management, brief enough to be written on one or a few sheets of paper and containing major decisions on inventory level, customer service, planned shutdowns, production rates.

The master schedule is the detail that puts the plan into action. Items to be master-scheduled depend on your business:

- A company with few end-products made from many component parts should master-schedule the end-products;
- A company with many end-products made from relatively few sub-assemblies, which are in turn made from many component parts, should master-schedule the sub-assemblies; and
- A company making many end-products from few components should master-schedule the components.

Even though you may master-schedule the end items, schedule those key components that have a varied demand either from their own production lines or from other company factories.

Capacity requirements planning can be highly precise but its real accuracy is open to question — it has been said to resemble counting drifting snowflakes and then attempting to calculate how deep a snow drift they might form.

The "rough cut" is considerably rougher but may well yield more useful results than the detailed calculations — and more quickly.

This plan has as its uses: to quickly evaluate the realism of the master production schedule; to develop planned levels of capacity required to support the master schedule in critical work centres; and to develop over a long time period an estimate of the average capacity required (ignoring phasing, netting, or product mix changes).

These four components: qualified people, accurate records, MPS, and rough cut capacity planning, can and should be present and accurately operating *before* a computer system arrives.

When the system is installed, the order of attack should be to:

- Improve priority planning through MRP;
- Institute input/output controls to manage the lead times; and
- Arrange shop floor control.

MRP — materials requirements planning or more reams of paper! — does not reduce inventories, improve productivity or improve customer service. Only management can achieve these.

MRP must be used with great understanding and judgment — if not disaster ensues.

Inputs to the MRP process are the master production schedule and the bill of materials. MRP should then produce a series of planned and released orders for materials and updates to the inventory stock status.

Let us consider the bill of materials, and structuring it for MRP.

While order point/order quantity systems are part based, MRP is product-based. Order point views each inventory item independently of all others (this would be typical of a manual system), but MRP

make sure you're well prepared for the 'tin brain'

views the product and the relationship of its components using the bill of materials as the basis for planning.

Therefore, using MRP, the bill of materials is not only the product specification but the framework of the planning system.

With MRP, the prime input is the master production schedule and if it cannot be stated in terms of the bill of materials, the MRP will not be a success.

The two must be considered together — do not assume that an MRP system will function just because your present bill of materials has been loaded into the processor program. This program will often accept anything including straight engineering parts lists and is not designed to structure the bill of materials: it is assumed that the user has structured it to serve his needs.

Instead of maintaining the bill of materials for individual end-products, it is restated in terms of the modules from which the final product is put together.

Although it is sometimes said modularising the bill of materials is only necessary in specific cases, I have found it to be generally worthwhile, not only for more efficient computer run times. It greatly assists the maintenance and therefore accuracy of the bill of materials.

Modularising will disentangle combinations of optional product features, segregate common from unique parts and maintain flexibility of production with a minimum investment in material inventory.

As the lead times within your system become more valid, it becomes easier to evaluate the effects of schedule changes which violate the cumulative product lead times.

Without valid cumulative lead times, deciding whether or not to accept an increase in the plan throughout will be subjective, can be costly and will usually be dangerous.

Input/output controls are of great benefit, so we need to measure deliveries against plan, percentage of planned orders actually released on schedule and percentage of planned orders completed on schedule.

Within departments lead time increases as backlog increases, so to control lead time, control the backlog. To control backlog, do not release any more work into a work centre than it has recently shown it can output.

If a work centre output is consistently less than the input, there is a capacity constraint. Either increase capacity or reduce input. A work centre is not responsible for missing a schedule if material is not released to it on schedule.

Input/output control gives us work centre schedule performance, a means of determining whether the schedule is constrained by material input and a timely and quantitive means of determining whether capacity is correct.

Although the shop floor is where the chaos is I have left it until last in the list of system developments, because I believe that until your planning systems are right then shop-floor control is worse than attaching a band-aid.

The main element to aim for in shop-floor control is informing the departmental supervisors of the jobs they have in front of them, with priorities. If your planning system is wrong then you know what a supervisor will do with your shop-floor instructions.

So, define objectives, estimate payback if the objectives are met, prepare broad manufacturing specifications in manufacturing terms and estimate costs.

You must obtain the commitment of the total organisation, establish a full-time team, including the direct users — the people responsible for achieving the objectives. The fewer computer people involved the better. Then, design the system and implement it fast — the longer the implementation time the more likely it is that the system will fail.

There are certain myths about systems, such as they must be big and expensive to succeed. Not so: progress must be evolutionary not revolutionary. Massive, complex sophisticated systems are not needed and complexity increases the odds against success.

Another myth: "Systems must be completely custom-built because our business is different". In fact, widely differing companies can use essentially identical control systems. The differences are in degrees of emphasis. Nor will a large investment be necessary long before any payback will be realised. Systems should be introduced in modules with savings from completed modules justifying the costs of further modules. Therefore the system should be self-funding.

The advantages of system packages:

- **Time:** Managed installation of a package should be quicker than installing an in-house system.
- **Economy:** The design, writing and debugging of the system has already been done. As it is amortised over many users the cost is lower than in-house systems (In house-writing = $10 per line of clean code).
- **Training:** As part of the purchase agreement training of your users in the system and planning principles should be provided by the supplier.
- **Documentation:** Could always be better, but an improvement on in-house documentation.
- **Less risk:** As you will not be the first cab off the rank you will be able to visit other users and see the system *working*.
- **Evolutionary development:** The people writing the packages are continually improving them, so you are obtaining the latest development.

So, before computerising, get your base systems right and accurate and have your planning staff knowledgeable in principles so that they understand what the computer system is doing.

Then install a computer system (preferably a package) by modules, allowing one successful implementation to pay for the next and get the first module (perferably MRP) in operation fast, using manufacturing personnel to do the job.

ELECTION WATCH '81